

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name Dickinson County	County DICKINSON	Type COUNTY	MuniCode 22-0-000
Opinion Date-Use Calendar Jun 30, 2008	Audit Submitted-Use Calendar Jul 1, 2008	Fiscal Year-Use Drop List	2007

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 7,892,111.00
General Fund Expenditure:	\$ 7,028,469.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 1,262,299.00
Governmental Activities Long-Term Debt (see instructions):	\$ 561,079.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name) Raymond	Last Name LaMarche	Ten Digit License Number 1101025531
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COUNTY OF DICKINSON, MICHIGAN
BASIC FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2007

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	14
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets	19
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	20
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities	22
Statement of Net Assets - Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	24
Statement of Cash Flows - Proprietary Funds	25
Statement of Fiduciary Net Assets	26
Notes to the Basic Financial Statements	27
Required Supplemental Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	72
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Revenue Sharing Reserve Fund	74
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Retiree's Medical Care Fund	75

TABLE OF CONTENTS

	<u>Page</u>
Required Supplemental Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - District Health Tax	76
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Senior Citizens Tax	77
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - County Library	78
Other Supplemental Information:	
Combining Balance Sheet - Nonmajor Governmental Funds	79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	86
Combining Statement of Fiduciary Net Assets - Agency Funds	93
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	
	95



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Commissioners
County of Dickinson
Iron Mountain, Michigan 49801

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Dickinson, Michigan as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Dickinson's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Dickinson County Road Commission and the Dickinson County Healthcare System. The Dickinson County Road Commission and the Dickinson County Healthcare System represent 100 percent of the assets, net assets and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been provided to us, and our opinion, insofar as it relates to the amounts included for Dickinson County Road Commission and the Dickinson County Healthcare System, is based on the reports of the other auditors.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the

aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County of Dickinson, Michigan as of December 31, 2007, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2008, on our consideration of the County of Dickinson, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 3 through 13 and 72 through 78 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Dickinson's basic financial statements. The combining nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Anderson, Tackman & Company, P.C.
Certified Public Accountants

June 30, 2008

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of Dickinson County's financial performance provides an overview of the County's financial activities for the fiscal year ending December 31, 2007. Please read it in conjunction with the County's financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- Net assets for the County were reported at \$23,393,725 for 2007, compared to \$22,581,306 for 2006, an increase of 3.6%. For 2007, net assets for our business-type activities were \$1,089,439, approximately 4.7% of total net assets, while net assets in our governmental activities were \$22,304,286 or 95.3% of total net assets.
- The County's expenses for 2007 totaled \$12,086,059 and in 2006 totaled \$11,558,551, representing an increase of \$527,508. Revenues from all sources totaled \$12,342,092 in 2007 and \$13,887,385 in 2006, representing a decrease of \$1,545,293.
- The General Fund reported an increase in fund balance of \$249,269 in 2007 and a decrease in fund balance of \$474,128 in 2006. This was after revenues of \$7,892,111 in 2007 compared to \$7,692,551 in 2006, and expenditures of \$7,028,469 in 2007 compared to expenditures of \$6,605,002 in 2006.
- A prior period adjustment was made on the Statement of Activities to reflect the reversal of the prior years calculation of post-employment health liability for the County Library. The County and the County Library are anticipating hiring an actuary to determine the liability in accordance with GASB Statement 45.

USING THIS REPORT

This annual report consist of a series of financial statements. The Statement of Net Assets and Statement of Activities (on pages 14, 15 and 16) provide information about the activities of the County as a whole and present a longer term view of the County's finances. Fund financial statements start on page 17. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements by providing information about the County's most significant funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of government.

Reporting the County as a whole

Statement of Net Assets and the Statement of Activities

Our analysis of the County as a whole begins on page 6. One of the most important questions asked about the county's finances; "Is the County as a whole better off or in worse condition as a result of this year's activities?" The Statement of Net Assets and the Statement of Activities report information about the County as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private sector companies. All of the current years revenue and expenses are taken into account regardless of when cash is received or paid. These two statements report the County's *net assets* and changes in them. You can think of the County's net assets as the difference between assets and liabilities as one way to measure the County's financial health, or *financial position*. Over time, *increases or decreases* in the County's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's property tax base to assess the *overall financial health* of the County.

In the Statement of Net Assets and the Statement of Activities, we divide the County into two categories of activities:

- Governmental activities -- Most of the County's basic services are reported here including public safety, judicial system, parks and recreation and general administration. Property taxes, fees/charges for services and state and federal grant funds make up the majority of revenue for these activities.
- Business-type activities -- The County charges a fee to customers to help cover all or most of the costs of certain services it provides. The collection of delinquent property taxes make up these activities.

The County also presents two legally separate component units; County Road Commission and the Dickinson County Healthcare System which are reported separately from the financial information of the County. Separately audited financial statements are available for the County Road Commission and the Dickinson County Healthcare System at their administrative offices.

Reporting the County's Most Significant Funds

Fund Financial Statements

Our analysis of the County's Major Funds begins on page 9. The fund financial statements begin on page 17 and provide detailed information on the most significant funds -- not the County as a whole. Some funds are required to be established by State law, and by bond covenants. However, the County Board of Commissioners establishes many other funds to help it control and manage money for particular purposes or to show that the Board is meeting legal requirements for certain taxes, grants and other money. The County's two kinds of funds *governmental* and *proprietary* -- use different accounting methods.

- *Governmental funds* – Most of the County’s services are reported in governmental funds which focus on how money flows into and out of those funds and the balances that are left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed *short-term* view of the County’s general government operations and the basic services it provides. Governmental fund information helps you to determine whether there are more or fewer financial resources that can be spent in the near future to finance County programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and governmental *funds* in a reconciliation which follows the fund financial statements.
- *Proprietary funds* - When the County charges customers for the services it provides – whether to outside customers or to other units of the County – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the County’s enterprise funds (a component of proprietary funds) are the same as the business-type activities that we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The County as a Trustee

The County is the trustee, *or fiduciary*, of tax receipts and other collections, that are collected for other agencies and held for periodic payment to those agencies. The County’s fiduciary activities are reported in a separate Statement of Fiduciary Net Assets on page 26. We exclude these funds from the County’s other financial statements because the County cannot use these assets to finance its operations. The County is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

The County as a Whole

The County's net combined assets grew by \$812,419 in 2007.

Table 1
Net Assets

	Governmental Activities 2007	Governmental Activities 2006	Business-Type Activities 2007	Business-Type Activities 2006
Current and other assets	\$ 10,503,760	\$ 10,160,852	\$ 1,282,644	\$ 1,254,295
Capital assets (net)	13,899,290	14,006,271	-	-
Total Assets	<u>24,403,050</u>	<u>24,167,123</u>	<u>1,282,644</u>	<u>1,254,295</u>
Long-term debt outstanding	561,079	1,243,002	-	-
Other liabilities	1,537,685	1,416,426	193,205	180,684
Total Liabilities	<u>2,098,764</u>	<u>2,659,428</u>	<u>193,205</u>	<u>180,684</u>
Net Assets:				
Invested in capital assets, net of related debt	13,685,290	13,169,196	-	-
Restricted assets:				
Unexpendable	995,355	1,014,535		
Expendable	3,183,726	3,506,708	-	-
Unrestricted	4,439,915	3,817,256	1,089,439	1,073,611
Total net assets	<u>\$ 22,304,286</u>	<u>\$ 21,507,695</u>	<u>\$ 1,089,439</u>	<u>\$ 1,073,611</u>

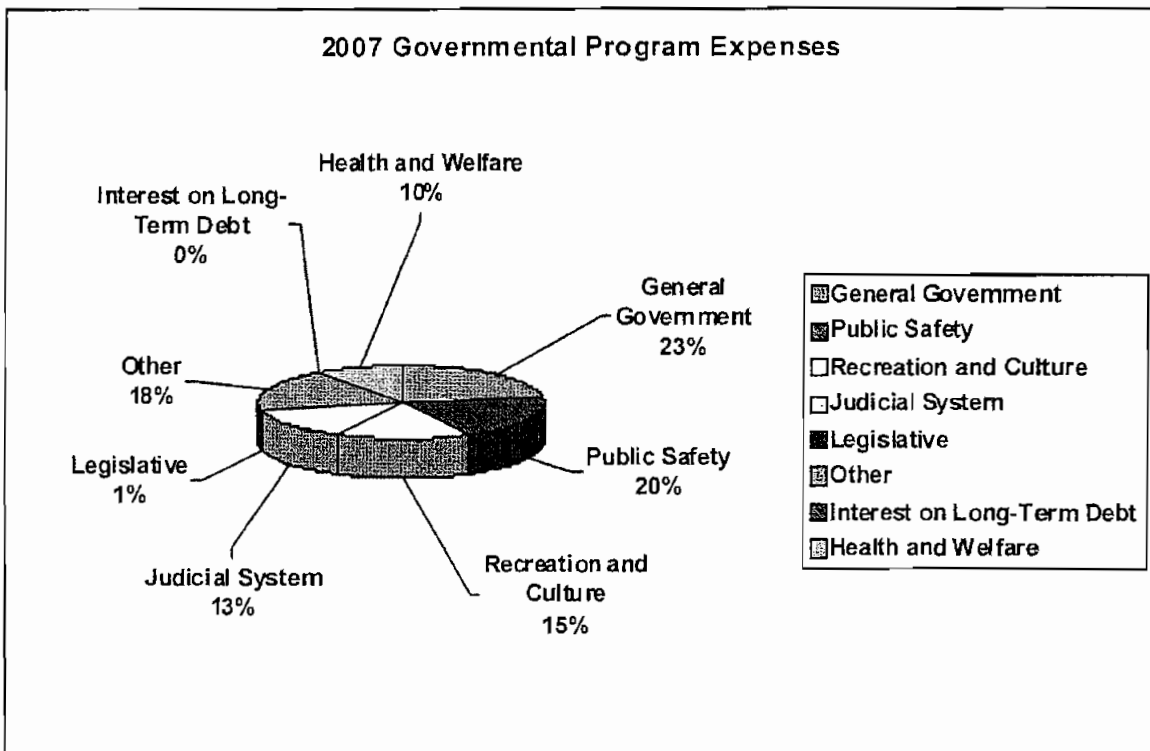
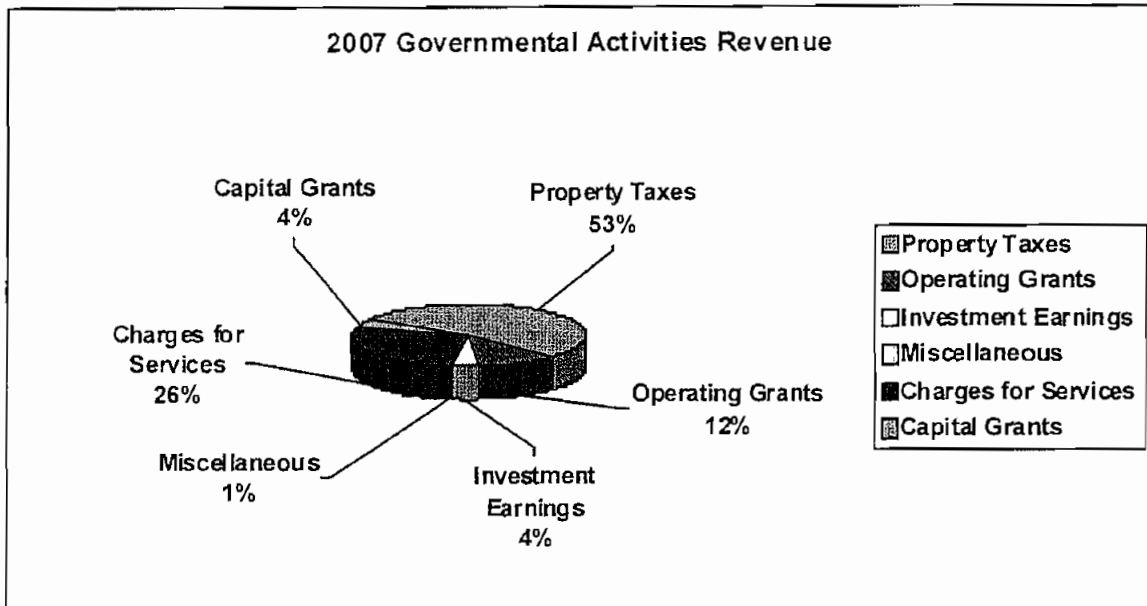
Net assets of the County's governmental activities stood at \$22,304,286, an increase of \$796,591 (3.7%). \$556,386 of the increase is due to a prior period adjustment to account for post employment health liability which was recorded as part of the County Library's financial statements in the prior year but could not be substantiated in 2007 as being calculated in accordance with GASB Statement 45. Unrestricted net assets, the part of net assets that could be used to finance the day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements stood at \$4,439,915 for 2007.

Net assets in our business-type activities stood at \$1,089,439, up from \$1,073,611 in 2006. Unrestricted net assets for our business-type activities were \$1,089,439 and \$1,073,611 for 2007 and 2006 respectively.

Table 2
Changes in Net Assets

	Governmental Activities 2007	Governmental Activities 2006	Business-Type Activities 2007	Business-Type Activities 2006
Revenues:				
Program Revenues:				
Charges for services	\$ 3,198,220	\$ 3,246,938	\$ 125,344	\$ 130,719
Operating grants	1,423,073	1,385,965	-	-
Capital grants	544,146	1,046,642	-	-
General Revenues:				
Property taxes	6,539,158	7,676,511	-	-
Grants and contributions not restricted to specific programs	7,835	7,143	-	-
Contribution to permanent fund	6,754	308	-	-
Unrestricted investment earnings	437,438	337,466	-	-
Miscellaneous	60,124	55,693	-	-
Total Revenues	<u>12,216,748</u>	<u>13,756,666</u>	<u>125,344</u>	<u>130,719</u>
Program Expenses:				
Legislative	80,635	84,800	-	-
Judicial system	1,628,962	1,556,517	-	-
General government	2,749,765	2,769,457	-	-
Public safety	2,358,846	2,236,012	-	-
Health and welfare	1,212,561	1,099,324	-	-
Recreation and culture	1,860,397	1,787,428	-	-
Other	2,182,618	2,009,838	-	-
Interest on long-term debt	9,025	11,829	-	-
Delinquent tax revolving	-	-	3,250	3,346
Total Expenses	<u>12,082,809</u>	<u>11,555,205</u>	<u>3,250</u>	<u>3,346</u>
Excess (deficiency) before transfers and contributions	133,939	2,201,461	122,094	127,373
Transfers	<u>106,266</u>	<u>(827,304)</u>	<u>(106,266)</u>	<u>827,304</u>
Increase (decrease) in net assets	<u>240,205</u>	<u>1,374,157</u>	<u>15,828</u>	<u>954,677</u>
Net assets - beginning	21,507,695	20,133,538	1,073,611	118,934
Restatement of net assets	<u>556,386</u>	<u>-</u>	<u>-</u>	<u>-</u>
Restated net assets, beginning of year	<u>22,064,081</u>	<u>20,133,538</u>	<u>1,073,611</u>	<u>118,934</u>
Net assets - ending	<u>\$ 22,304,286</u>	<u>\$ 21,507,695</u>	<u>\$ 1,089,439</u>	<u>\$ 1,073,611</u>

Governmental Activities



Governmental Activities

Revenues for the County's governmental activities totaled \$12,323,014 in 2007, compared to \$12,929,362 in 2006, while expenses were \$12,082,809 and \$11,555,205, respectively. The excess of revenue over expense was \$240,205 in 2007 and \$1,374,157 for 2006. In 2006, the increase in net assets can be attributed to the advanced collection of County property taxes, which was established to replace State revenue sharing payments for the next several years. Also attributing to the increase was contributions from the state and federal government for capital improvement projects at the airport. \$556,386 of the increase in 2007 relates to the prior period adjustment as previously noted.

Table three below reflects the cost of each of the County's five largest activities; Public Safety, Judicial System, General Government, Recreation and Culture, and Other, - as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the taxpayers.

Table 3
Government Activities

	Total Cost of Services	Total Cost of Services	Net Cost of Services	Net Cost of Services
	2007	2006	2007	2006
Public safety	\$ 2,358,846	\$ 2,236,012	\$ 1,462,593	\$ 1,348,080
Judicial system	1,628,962	1,556,517	(63,432)	17,422
General government	2,749,765	2,769,457	1,506,103	833,877
Recreation and culture	1,860,397	1,787,428	983,640	800,843
Other	2,182,618	2,009,838	2,182,618	2,009,838
Totals	<u>\$ 10,780,588</u>	<u>\$ 10,359,252</u>	<u>\$ 6,071,522</u>	<u>\$ 5,010,060</u>

Business-Type Activities

The County's business-type activities net assets totaled \$1,089,439 in 2007, compared to \$1,073,611 in 2006, representing an increase of \$15,528.

THE COUNTY'S FUNDS

The focus of the governmental funds of the County is to provide information on near-term inflows, outflows and balances in spendable resources. The fund information is useful to determine short-term financing requirements and can be used to measure the County's net resources available for spending at the end of the fiscal year.

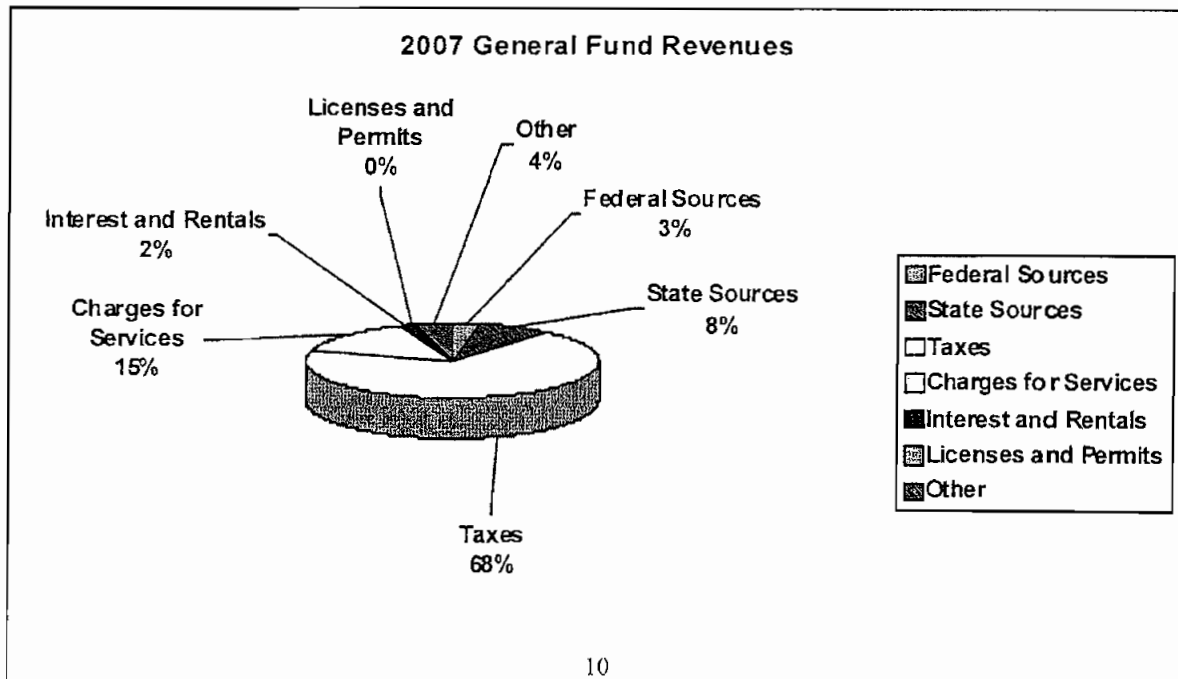
For the current fiscal year the County's governmental funds reported total fund balance of \$8,966,075 for 2007, compared to \$8,744,426 in 2006, representing an increase of \$221,649. For 2007, \$1,003,451 was reserved for permanent funds and the remaining \$7,962,624 was unreserved. The General Fund unreserved fund balance amounted to \$1,262,299. The General Fund had an increase in fund balance of \$249,269, representing an increase of 24.6% over the

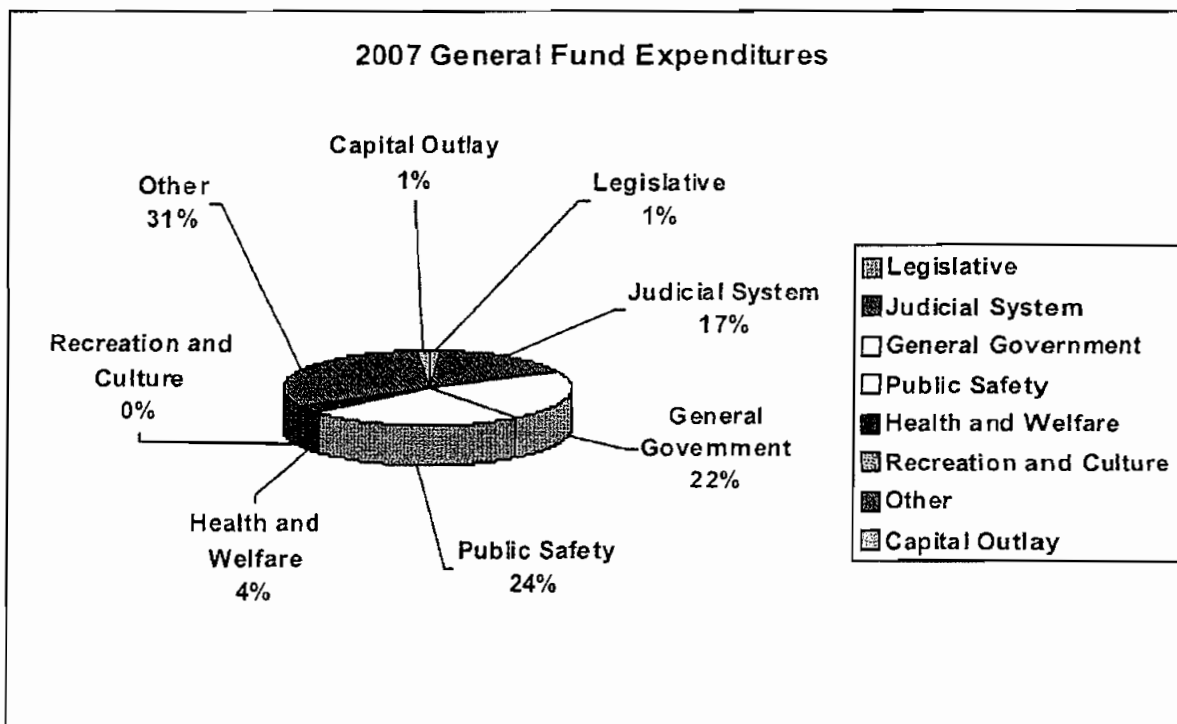
prior year fund balance. The County established the Revenue Sharing Reserve fund in 2004 to account for the activity relating to the collection of one-third of the County's December 2004 tax levy (\$1,490,831) which is required to be placed in this fund for 2004, 2005 and 2006. The purpose of this fund as outlined in Public Act 357 of 2004 is to establish a reserve for county governments to replace the former state revenue sharing payments. The Retiree's Medical Care Reserve fund was established for the purpose of accumulating resources to pay future post-employment health insurance costs. Fund balance in the Retiree's Medical Care Reserve fund increased in the current year by \$114,774 which relates to investment earnings on the cash balance in the fund of \$1,831,986 as of December 31, 2007 and a \$25,000 appropriation from the General Fund. The Senior Citizens Tax fund accounts for the activity relating to the collection of the senior citizens tax levy and the distribution of those funds. The County Library accounts for the activity relating to the county library operations, which includes the collection of a tax levy for operations as well as other revenue sources. In 2006, fund balance for the Library decreased by \$34,569, representing a decrease of 4.3%. The District Health Department Tax Fund was created in the current year to account for a separate County tax levy which is used to fund operations of the Dickinson-Iron District Health Department.

General Fund Budgetary Highlights

Over the course of the year, the budget was amended twice. These amendments were made to recognize changes to revenue or expenditures. The budgeted revenues and transfers in, as well as the expenditures and transfers out were unchanged in total from the original budget to the final amended budget in 2007. The original and final amended budget projected a decrease in fund balance of \$56,437, while the actual results showed an increase in fund balance of \$249,269. There were no significant changes between the final amended budget and the actual results as reported, with the exception of property tax revenue which was budgeted \$308,092 less than actual, which was due in part to the final revenue sharing reserve levy which took place in December 2006.

General Fund





CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2007, the County had \$13,899,290, net of accumulated depreciation, invested in a variety of capital assets including machinery and equipment, buildings and improvements, parks, airport infrastructure and land. (See table 4 below)

Table 4
Capital Assets at Year-End
(net of accumulated depreciation)

	Governmental Activities 2007	Governmental Activities 2006
Land	\$ 1,641,906	\$ 1,642,032
Buildings & improvements	6,455,014	6,077,744
Machinery & equipment	851,051	952,630
Library books & materials	245,386	259,112
Infrastructure	4,705,933	5,074,753
Total	\$ 13,899,290	\$ 14,006,271

The most significant increase in additions to capital assets were improvements at the County Airport to improve infrastructure, which was financed in large part by the state and federal government.

DEBT

At year-end the County had \$561,079 in long-term debt.

Table 5
Outstanding Debt at Year-End

	Governmental Activities 2007	Governmental Activities 2006
Correction Center Bonds	\$ 105,000	\$ 210,000
Fair Bonds	109,000	125,000
Compensated absences:		
General County	318,083	335,024
County Library	28,996	16,592
Post-retirement benefits - County Library	-	556,386
Totals	<u>\$ 561,079</u>	<u>\$ 1,243,002</u>

The State of Michigan limits the amount of general obligation debt that local units of government can issue to 10% of the current equalized valuation, including TIF valuations. The County's outstanding general obligation debt of \$214,000 is well below statutory limits.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County Board of Commissioners and county management will consider many factors when setting the fiscal year budget, tax rates and fees that will be charged for services. One of those factors is the uncertainty of State revenue sharing, the shift in County tax collections to the summer and the establishment of a Revenue Sharing Reserve Fund will impact future cash flows. Other changes in State government financing will affect the way programs and services are provided. Of particular concern is the uncertainty of the method of support from the state for county 911 services. The continuing issues with funding on both the State and Federal level present financial challenges outside of the County's control that effect the level of services provided. The economy in the Dickinson County area appears to be flat in relation to job growth or job loss. The cost of living in the Dickinson County area is below the national and State average, but real estate values continue to climb. The growth of other costs continue to rise at the national inflation rate or lower, with the exception of health care costs which continue to be a concern for the County and local employers. These factors were taken into account when adopting the 2008 budget.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers and customers, as well as investors and creditors with a general overview of the County's finances and to show the County's accountability for the revenues it receives. If you have questions about this report or need additional information, contact the County Administrator at the Dickinson County Courthouse, P.O. Box 609, Iron Mountain, Michigan, 49801.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF NET ASSETS
December 31, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,461,985	\$ 756,104	\$ 8,218,089
Investments	547,679	-	547,679
Current portion of restricted cash	-	-	-
Receivables	2,081,165	493,491	2,574,656
Internal balances	255,465	-	255,465
Prepays	157,466	-	157,466
Inventory	-	-	-
Total current assets	<u>10,503,760</u>	<u>1,249,595</u>	<u>11,753,355</u>
Noncurrent assets:			
Cash and investments	-	-	-
Delinquent taxes receivable	-	33,049	33,049
Deferred financing costs	-	-	-
Capital assets, net of accumulated depreciation	13,899,290	-	13,899,290
Total noncurrent assets	<u>13,899,290</u>	<u>33,049</u>	<u>13,932,339</u>
Total assets	<u>\$ 24,403,050</u>	<u>\$ 1,282,644</u>	<u>\$ 25,685,694</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 125,865	\$ -	\$ 125,865
Accrued payroll	114,470	-	114,470
Internal balances	-	193,205	193,205
Accrued interest	-	-	-
Estimated third-party payor settlements	-	-	-
Due to other governmental units	-	-	-
Deferred revenue	1,297,350	-	1,297,350
Other	-	-	-
Long-term liabilities due within one year:			
Compensated absences	86,770	-	86,770
Post-retirement benefits	-	-	-
Current maturities of long-term debt	121,000	-	121,000
Total current liabilities	<u>1,745,455</u>	<u>193,205</u>	<u>1,938,660</u>
Long-term liabilities:			
Compensated absences	260,309	-	260,309
Post-retirement benefits	-	-	-
Long-term debt, less current maturities	93,000	-	93,000
Reserve for loss on liability claims	-	-	-
Total long-term liabilities	<u>353,309</u>	<u>-</u>	<u>353,309</u>
Total liabilities	<u>2,098,764</u>	<u>193,205</u>	<u>2,291,969</u>
NET ASSETS			
Invested in capital assets, net of related debts	13,685,290	-	13,685,290
Restricted for:			
Unexpendable:			
Permanent funds	995,355	-	995,355
Expendable:			
Special revenue	3,065,867	-	3,065,867
Debt service	-	-	-
Permanent funds	117,859	-	117,859
Unrestricted	<u>4,439,915</u>	<u>1,089,439</u>	<u>5,529,354</u>
Total net assets	<u>22,304,286</u>	<u>1,089,439</u>	<u>23,393,725</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,403,050</u>	<u>\$ 1,282,644</u>	<u>\$ 25,685,694</u>

See accompanying notes to financial statements.

Component Units	
Road Commission	Dickinson County Healthcare System
\$ 16,350	\$ 8,865,372
-	7,759
-	1,302,410
540,367	11,052,268
-	-
-	-
322,832	2,331,202
<u>879,549</u>	<u>23,559,011</u>
-	10,137,836
-	-
-	252,275
30,355,563	46,033,923
<u>30,355,563</u>	<u>56,424,034</u>
<u>\$ 31,235,112</u>	<u>\$ 79,983,045</u>
\$ 116,986	\$ 2,414,101
-	1,934,407
-	-
-	272,410
-	1,783,578
99,482	-
-	-
39,936	308,994
-	2,871,931
-	-
101,267	1,460,908
<u>357,671</u>	<u>11,046,329</u>
344,621	-
-	-
128,495	30,507,232
-	745,000
<u>473,116</u>	<u>31,252,232</u>
<u>830,787</u>	<u>42,298,561</u>
30,125,801	14,318,058
-	-
278,524	-
-	3,431,061
-	-
-	19,935,365
<u>30,404,325</u>	<u>37,684,484</u>
<u>\$ 31,235,112</u>	<u>\$ 79,983,045</u>

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	Component Units
Primary government:								
Governmental activities:								
Legislative	\$ 80,635	\$ -	\$ -	\$ -	\$ (80,635)	\$ -	\$ (80,635)	\$ -
Judicial system	1,628,962	857,617	834,777	-	63,432	-	63,432	-
General government	2,749,765	637,539	86,894	519,229	(1,506,103)	-	(1,506,103)	-
Public safety	2,358,846	616,410	264,688	15,155	(1,462,593)	-	(1,462,593)	-
Health and welfare	1,212,561	283,102	173,271	-	(756,188)	-	(756,188)	-
Recreation and culture	1,860,397	803,552	63,443	9,762	(983,640)	-	(983,640)	-
Other	2,182,618	-	-	-	(2,182,618)	-	(2,182,618)	-
Interest on long-term debt	9,025	-	-	-	(9,025)	-	(9,025)	-
Total governmental activities	12,082,809	3,198,220	1,423,073	544,146	(6,917,370)	-	(6,917,370)	-
Business-type activities:								
Delinquent tax revolving	3,250	125,344	-	-	-	122,094	122,094	-
Total primary government	\$ 12,086,059	\$ 3,323,564	\$ 1,423,073	\$ 544,146	(6,917,370)	122,094	(6,795,276)	-
Component units:								
Road Commission	\$ 4,294,237	\$ 764,824	\$ 2,820,733	\$ 1,308,298	-	-	-	599,618
Dickinson County Healthcare System	69,149,046	69,343,978	-	232,195	-	-	-	427,127
Total component units	\$ 73,443,283	\$ 70,108,802	\$ 2,820,733	\$ 1,540,493	-	-	-	1,026,745
General revenues:								
Property taxes					6,539,158	-	6,539,158	-
Grants and contributions not restricted to specific programs					7,835	-	7,835	-
Contributions to permanent fund					6,754	-	6,754	-
Unrestricted investment earnings					437,438	-	437,438	1,185,674
Miscellaneous					60,124	-	60,124	123,641
Transfers					106,266	(106,266)	-	-
Total general revenues and transfers					7,157,575	(106,266)	7,051,309	1,309,315
Change in net assets					240,205	15,828	256,033	2,336,060
Net assets, beginning					21,507,695	1,073,611	22,581,306	65,752,749
Restatement of net assets					556,386	-	556,386	-
Restated net assets, beginning of year					22,064,081	1,073,611	23,137,692	65,752,749
Net assets, ending					\$ 22,304,286	\$ 1,089,439	\$ 23,393,725	\$ 68,088,809

See accompanying notes to financial statements

COUNTY OF DICKINSON, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

	General Fund	Revenue Sharing Reserve	Retiree's Medical Care
ASSETS			
Cash and equivalents:			
Unrestricted	\$ 463,060	\$ 2,879,053	\$ 1,831,986
Investments	-	-	-
Receivables:			
Accounts	830	-	-
Taxes	277,535	-	-
Due from other funds	255,465	-	-
Due from other local units	95,472	-	-
Due from State of Michigan	122,205	-	-
Prepaid expense	132,321	-	-
	<u>\$ 1,346,888</u>	<u>\$ 2,879,053</u>	<u>\$ 1,831,986</u>
Total assets			
LIABILITIES			
Accounts payable	\$ 5,234	\$ -	\$ -
Due to other funds	-	-	-
Accrued payroll	79,355	-	-
Deferred revenue	-	-	-
	<u>84,589</u>	<u>-</u>	<u>-</u>
Total liabilities			
FUND BALANCES			
Reserved:			
Permanent funds	-	-	-
911 Training funds	-	-	-
Unreserved:			
Designated	-	-	-
Undesignated	1,262,299	2,879,053	1,831,986
Unreserved, reported as non-major:			
Special revenue funds	-	-	-
Debt service	-	-	-
Capital projects	-	-	-
Permanent funds	-	-	-
	<u>1,262,299</u>	<u>2,879,053</u>	<u>1,831,986</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 1,346,888</u>	<u>\$ 2,879,053</u>	<u>\$ 1,831,986</u>

See accompanying notes to financial statements.

District Health Tax	Senior Citizens Tax	County Library	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,007	\$ 41,458	\$ 803,580	\$ 1,441,841	\$ 7,461,985
-	-	-	547,679	547,679
-	-	-	142,866	143,696
170,976	341,953	769,393	-	1,559,857
-	-	-	88,979	344,444
-	-	-	-	95,472
-	-	-	159,935	282,140
-	-	8,197	16,948	157,466
<u>\$ 171,983</u>	<u>\$ 383,411</u>	<u>\$ 1,581,170</u>	<u>\$ 2,398,248</u>	<u>\$ 10,592,739</u>
\$ -	\$ -	\$ 28,021	\$ 92,610	\$ 125,865
-	-	-	88,979	88,979
-	-	9,084	26,031	114,470
170,976	341,953	769,393	15,028	1,297,350
<u>170,976</u>	<u>341,953</u>	<u>806,498</u>	<u>222,648</u>	<u>1,626,664</u>
-	-	-	995,550	995,550
-	-	-	7,901	7,901
-	-	617,869	1,422	619,291
1,007	41,458	156,803	-	6,172,606
-	-	-	950,133	950,133
-	-	-	102,735	102,735
-	-	-	-	-
-	-	-	117,859	117,859
<u>1,007</u>	<u>41,458</u>	<u>774,672</u>	<u>2,175,600</u>	<u>8,966,075</u>
<u>\$ 171,983</u>	<u>\$ 383,411</u>	<u>\$ 1,581,170</u>	<u>\$ 2,398,248</u>	<u>\$ 10,592,739</u>

COUNTY OF DICKINSON, MICHIGAN
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
December 31, 2007

Total fund balances for governmental funds	\$	8,966,075
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Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:

Land	1,640,279	
Buildings and improvements	9,679,871	
Machinery and equipment	2,307,835	
Library books & materials	716,848	
Infrastructure	8,141,057	
Accumulated depreciation	<u>(8,586,600)</u>	
Total capital assets		13,899,290

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Bonds payable	(214,000)	
Compensated absences	<u>(347,079)</u>	<u>(561,079)</u>

Total net assets of governmental activities	\$	<u><u>22,304,286</u></u>
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See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

	General Fund	Revenue Sharing Reserve	Retiree's Medical Care
REVENUES:			
Taxes	\$ 5,371,970	\$ -	\$ -
Licenses and permits	11,224	-	-
Federal sources	228,586	-	-
State sources	657,429	-	-
Local sources	-	-	-
Charges for services	1,164,864	-	-
Interest and rentals	125,984	100,389	89,774
Other	332,054	-	-
	<u>7,892,111</u>	<u>100,389</u>	<u>89,774</u>
Total revenues			
	<u>7,892,111</u>	<u>100,389</u>	<u>89,774</u>
EXPENDITURES:			
Legislative	80,635	-	-
Judicial system	1,170,582	-	-
General government	1,525,886	-	-
Public safety	1,699,362	-	-
Health and welfare	265,769	-	-
Recreation and cultural	8,000	-	-
Capital outlay	95,617	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Other	2,182,618	-	-
	<u>7,028,469</u>	<u>-</u>	<u>-</u>
Total expenditures			
	<u>7,028,469</u>	<u>-</u>	<u>-</u>
Excess revenues (expenditures)	<u>863,642</u>	<u>100,389</u>	<u>89,774</u>
OTHER FINANCING SOURCES (USES):			
Transfer in	617,603	-	25,000
Transfer out	(1,231,976)	(510,391)	-
	<u>(614,373)</u>	<u>(510,391)</u>	<u>25,000</u>
Total other financing sources (uses)			
	<u>(614,373)</u>	<u>(510,391)</u>	<u>25,000</u>
Net change in fund balance	249,269	(410,002)	114,774
Fund balances - beginning of year	<u>1,013,030</u>	<u>3,289,055</u>	<u>1,717,212</u>
Fund balances - end of year	<u>\$ 1,262,299</u>	<u>\$ 2,879,053</u>	<u>\$ 1,831,986</u>

See accompanying notes to financial statements.

District Health Tax	Senior Citizens Tax	County Library	Nonmajor Governmental Funds	Total Governmental Funds
\$ 154,986	\$ 311,417	\$ 700,785	\$ -	\$ 6,539,158
-	-	-	269,962	281,186
-	-	-	191,083	419,669
-	-	22,668	517,408	1,197,505
-	-	174,011	51,759	225,770
-	-	11,711	715,796	1,892,371
-	-	40,973	392,014	749,134
-	-	16,519	112,699	461,272
<u>154,986</u>	<u>311,417</u>	<u>966,667</u>	<u>2,250,721</u>	<u>11,766,065</u>
-	-	-	-	80,635
-	-	-	428,521	1,599,103
-	-	-	469,827	1,995,713
-	-	-	580,932	2,280,294
154,883	278,746	-	505,411	1,204,809
-	-	861,383	853,984	1,723,367
-	-	141,746	216,755	454,118
-	-	-	121,000	121,000
-	-	-	9,025	9,025
-	-	-	-	2,182,618
<u>154,883</u>	<u>278,746</u>	<u>1,003,129</u>	<u>3,185,455</u>	<u>11,650,682</u>
<u>103</u>	<u>32,671</u>	<u>(36,462)</u>	<u>(934,734)</u>	<u>115,383</u>
-	-	1,893	1,267,006	1,911,502
-	-	-	(62,869)	(1,805,236)
-	-	1,893	1,204,137	106,266
103	32,671	(34,569)	269,403	221,649
<u>904</u>	<u>8,787</u>	<u>809,241</u>	<u>1,906,197</u>	<u>8,744,426</u>
<u>\$ 1,007</u>	<u>\$ 41,458</u>	<u>\$ 774,672</u>	<u>\$ 2,175,600</u>	<u>\$ 8,966,075</u>

DICKINSON COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

Net changes in fund balances - total governmental funds \$ 221,649

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets are capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$988,749) exceeded capital outlays (\$431,077). (558,024)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets.

Principal repayments:

Bond principal 121,000

Capital contributions received from other governmental units for capital improvements at the County Airport. 451,043

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated absences 4,537

Changes in net assets of governmental activities \$ 240,205

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2007

	<u>Tax Revolving</u>
ASSETS	
Current assets:	
Cash and cash equivalents	
Unrestricted	\$ 756,104
Receivables:	
Current taxes	439,086
Interest	54,405
Due from other funds	<u>53,056</u>
Total current assets	<u>1,302,651</u>
Noncurrent assets:	
Delinquent taxes	<u>33,049</u>
Total assets	<u><u>\$ 1,335,700</u></u>
LIABILITIES	
Current liabilities	
Due to other funds	<u>\$ 246,261</u>
NET ASSETS	
Unrestricted	<u>1,089,439</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,335,700</u></u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2007

	<u>Tax Revolving</u>
OPERATING REVENUES:	
Charges for services	\$ 12,925
Rental and interest income	<u>112,419</u>
Total operating revenue	<u>125,344</u>
OPERATING EXPENSES:	
Supplies	<u>3,250</u>
Operating income (loss)	<u>122,094</u>
NONOPERATING REVENUES (EXPENSES):	
Transfer out	<u>(106,266)</u>
Change in net assets	15,828
Total net assets - beginning	<u>1,073,611</u>
Total net assets - ending	<u><u>\$ 1,089,439</u></u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2007

	<u>Tax Revolving</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 12,925
Receipts from interest and rents	104,770
Cash received for collection of taxes	1,207,598
Payments to suppliers	(3,250)
Cash payments for taxes	(1,267,659)
Other receipts (payments)	<u>12,521</u>
Net cash provided (used) by operating activities	<u>66,905</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer out	<u>(106,266)</u>
Net increase (decrease) in cash and equivalents	(39,361)
Cash and equivalents, beginning of year	<u>795,465</u>
Cash and equivalents, end of year	<u><u>\$ 756,104</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	<u>\$ 122,094</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Changes in assets and liabilities:	
(Increase) decrease in receivables	(67,710)
(Increase) decrease in due from other funds	12,521
Increase (decrease) in due to other funds	<u>-</u>
Total adjustments	<u>(55,189)</u>
Net cash provided by operating activities	<u><u>\$ 66,905</u></u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2007

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents:	
Unrestricted	\$ 624,615
LIABILITIES	
Due to other funds	\$ 62,260
Due to other governmental units	92,308
Undistributed taxes	321,224
Other liabilities	148,823
	<hr/>
Total liabilities	\$ 624,615
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See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Background - The County of Dickinson was organized in 1891 under the provisions of the Michigan Constitution and covers an area of 757 square miles divided into seven townships and three cities. The County is operated under a Commission/Controller form of government and provides services in the following functional areas: legislative, courts, public records, public roads, management, building operation and expense, human service, resource management and development, law enforcement, and health services. The County is governed by an elected five member Board of Commissioners, with the county seat located in the City of Iron Mountain.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The financial statements have been prepared in accordance with GASB Statement 34, *Basic Financial Statements and Management's Discussion and Analysis*. GASB 34 significantly changes financial reporting for governmental agencies by adding government-wide financial statements, management's discussion and analysis and reporting on infrastructure.

Reporting Entity - For financial reporting purposes, in conformance with GASB Statement 14, as amended by GASB Statement 39, Dickinson County (the primary government) includes all funds, agencies, boards, commissions, other component units, and authorities that are controlled by or dependent on the County's legislative branch, the County Commission. Control by or dependence is determined on the basis of budget adoption, taxing authority, outstanding debt secured by revenues or general obligations of the County, obligation of the County to finance any deficits that may occur, or receipt of significant subsidies from the County. In addition, State of Michigan - Department of Treasury pronouncements were considered in the determination process. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

Component Units - In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

Blended Component Units - The County has three component units for which the financial data has been blended with the primary government financial statements.

Building Commission Authority - Pursuant to MCL 123.951 the County of Dickinson formed a Building Commission Authority known as Crystal Lake Community Center Commission. The Commission consists of five members appointed by the Dickinson County Board of Commissioners. Although it is legally separate from the County, the Building Commission Authority is reported as if it were part of the primary government because its sole purpose is to operate and maintain a recreational facility for the County.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dickinson County Library and Library Trust – The Dickinson County Library and Library Trust are governed by a board which is appointed by the Dickinson County Board of Commissioners. The Library is a part of the County of Dickinson and a majority of its revenues are deposited with the County Treasurer and are generated from a separate tax levy.

Dickinson County Construction Code Authority – During 1999 the Dickinson County Board of Commissioners approved the formation of the Dickinson County Construction Code Authority. The purpose of the Authority is to provide inspection services and enforcement of the State construction code. The Authority is governed by a seven member board which is appointed by the County Board of Commissioners and has one representative from the six townships, one from Breitung Township, one from the City of Kingsford, one from the City of Iron Mountain, one from the City of Norway and two from the County Board of Commissioners. The Authority is reported as a part of the primary government because its sole purpose is to provide building code inspections and code enforcement to the citizens of Dickinson County. The majority of its revenues are on deposit with the Dickinson County Treasurer.

Discretely presented component unit - The component unit columns in the combined financial statements include the financial data of the Dickinson County Road Commission, Dickinson County Healthcare System and the Dickinson County Economic Development Corporation. The component units are reported in a separate column to emphasize that they are legally separate from the County.

Dickinson County Road Commission – The Dickinson County Road Commission, which was established pursuant to the County Road Law (MCL 224.1), is governed by a three member board of County Road Commissioners appointed by the County Board of Commissioners. The Road Commission provides the citizens of Dickinson County road service and maintenance. The Road Commission may not issue debt or levy a tax without the County Board of Commissioners approval. The Road Commission financial statements were audited by other auditors and those financial statements may be obtained at:

Dickinson County Road Commission
1107 South Milwaukee Avenue
P.O. Box 519
Iron Mountain, Michigan 49807

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dickinson County Healthcare System – The Healthcare System was formed as a county public hospital under provisions of Michigan Act 350 P.A. 1913 on July 29, 1947. On April 1, 1959, Anderson Memorial Hospital was accepted as a unit of the hospital system. On September 11, 1990, the hospital was reorganized under Act 230 P.A. 1987 as a municipal health facilities corporation which assumed all rights, privileges, immunities and franchises of the predecessor county public hospital. On October 1, 1992, Dickinson County Memorial Hospital System received a single license to operate both Dickinson County Memorial Hospital in Iron Mountain, Michigan and Anderson Memorial Hospital in Norway, Michigan.

Pursuant to PA 230 of 1987, the hospital system is required to approve the debt of all subsidiaries. Dickinson County Board of Commissioners is required to approve the debt of the Dickinson County Healthcare System and its subsidiaries. The financial statements of the Dickinson County Healthcare System were audited by other auditors and a complete copy of the Healthcare System financial statements can be obtained at:

Dickinson County Healthcare System
1721 South Stephenson Avenue
Iron Mountain, Michigan 49801

Dickinson County Economic Development Corporation (EDC) – The EDC was established pursuant to the provisions of Public Act 338 of 1974, as amended, and is governed by a nine person board of directors appointed by the Dickinson County Board of Commissioners. The EDC may not issue debt without the County Board of Commissioners approval. Financial statement data for the EDC is not presented since there was no activity in the EDC fund for 2007. Further information relating to the EDC may be obtained from the County Courthouse.

Joint Ventures - Based on the foregoing criteria, the following organizations are not included in the financial report of the County of Dickinson:

Dickinson-Iron District Health Department – Dickinson and Iron Counties participate jointly in the operation of the Dickinson-Iron District Health Department. The members of the board are jointly appointed by the Dickinson and Iron County Board of Commissioners. All of the financial operations of the Health Department are recorded in the records of Iron County and is included as a separate discretely presented component unit in the financial statements.

The funding formula approved by the members of the local units is based on each unit's population and equalized valuation as it relates to the total population and valuation, which would be 66.7% for Dickinson County and 33.3% for Iron County. Dickinson County voters approved a tax levy of .2 mills and the County's contribution to the Health Department for the year ended December 31, 2007 was \$204,042. Complete financial statements of the District Health Department can be obtained directly from their administrative office located at 601 Washington, P.O. Box 516, Stanbaugh, Michigan 49964.

COUNTY OF DICKINSON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K.I.N.D. – K.I.N.D. was organized in 1992 by the cities of Kingsford, Iron Mountain, Norway and the County of Dickinson. K.I.N.D operates under a specifically designated Board of Directors (five members) and provides services to the residents of Dickinson County in the area of drug law enforcement.

Funding is based on a per capita basis, at the rate of \$.75 per person utilizing 2000 census data and subsequently adjusted based on decennial census data. Utilizing the 2000 census, it would reveal the following breakdown:

<u>Population</u>						
Iron Mountain	8,154	x	0.75	=	\$	6,116
Kingsford	5,549	x	0.75	=		4,162
Norway	2,959	x	0.75	=		2,219
Dickinson County	10,810	x	0.75	=		8,108
						<hr/>
Total population	27,472				\$	20,604

The County's share of appropriation was in the form of labor (deputies' wages) paid by the County. The main source of revenues is through forfeitures.

Upon agreement of the Board, forfeiture funds could be used for operational costs, additional training and equipment and future drug money. It is agreed that of the forfeitures forfeited by the plan, 40 percent of any and all forfeitures shall remain with the drug team, the remaining 60 percent may be disbursed by majority agreement at a joint meeting of the K.I.N.D. Board of Directors, the County Controller and the City Managers of Iron Mountain, Kingsford and Norway.

Complete financial statements for K.I.N.D. Drug Enforcement team can be obtained from their headquarters at 111 East Fleshiem Street, Iron Mountain, Michigan 49801.

Pinecrest Medical Care Facility - Dickinson County is a participant with Delta and Menominee Counties in a joint venture to operate the Pinecrest Medical Care Facility. The Pinecrest Medical Care Facility was established under PA 178 of 1929 (MCL 404.1) permitting the establishment, operation and control of county medical care facility by two or more counties of less than 1,000,000 population. The Pinecrest Medical Care Board was created for that purpose. The nine-member board is composed of three representatives from each County's Social Services Board. The Counties are obligated by agreement to share equally in providing the local funds necessary for operations and improvements. Pinecrest Medical Care Facility is custodian of their funds and the financial statements are not reported in any one of the three counties. Complete Financial Statements for the Pinecrest Medical Care Facility can be obtained from Pinecrest's Office at N 15995 Main Street, Powers, Michigan 49874.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dickinson-Iron Community Services Agency (DICSA) – Pursuant to the Urban Cooperation Act, as amended, (MCLA 124.501) and the Michigan Economic and Social Opportunity Act of 1981, as amended, (MCLA 400.1101) Dickinson and Iron Counties entered into an inter-local agreement to form DICSA, a public agency, as a separate legal entity for designation as a community action agency.

The depository of agency funds shall be located in Iron County. Funding for the agency is equally shared by Dickinson and Iron Counties.

The Agency shall be governed by a governing board consisting of three members from each county for a total of six members. The chairperson of each County Board of Commissioners and two members designated by each chairperson shall constitute the governing board.

The Agency may not issue debt or levy property taxes without approval of the respective counties. A voted millage was approved for the support of the agency in which the County paid \$278,746 during 2007 from property taxes for senior citizens' activities.

Complete financial statements for DICSA can be obtained from their administrative office at 800 Crystal Lake, Iron Mountain, Michigan, 49801.

Dickinson County Solid Waste Management Authority – Articles of incorporation were adopted by the incorporating municipalities for the purpose of creating an Authority under the provisions of Michigan's 1955 Public Act 233, as amended in 1993. The municipalities include the following: County of Dickinson, the cities of Iron Mountain, Kingsford and Norway, the Charter Township of Breitung, and the townships of Breen, Felch, Norway, Sagola, Waucedah and West Branch, each located in the County of Dickinson.

The Board of Trustees consists of seven voting members appointed by the legislative bodies of the participating municipalities as designated by the articles of incorporation. Debt may be issued in the name of the Authority as negotiable bonds, secured by the contractual full faith and credit pledges of each municipality, and self-liquidating revenue bonds.

The Authority shall continue in existence perpetually or until dissolved by a two-thirds vote of the municipalities or by law. A separate audit may be obtained from the authority's office at Dickinson County Solid Waste Processing Facility, W7702, Quinnesec, Michigan, 49876.

COUNTY OF DICKINSON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly Governed Organization

Northpointe Behavioral Healthcare Systems Authority – Dickinson, Menominee and Iron Counties entered into an inter-local agreement on October 26, 1994 for the purpose of establishing an Authority to govern community mental health programs.

Northpointe was established pursuant to the Michigan Constitution of 1963, Article 7, Section 28, the Mental Health Code, 1974 PA 258, as amended, and the Urban Cooperation Act, 1967 PA 7 and is governed by a twelve member board. The County does not have an ongoing financial interest or an ongoing financial responsibility in Northpointe but did make an appropriation in the amount of \$99,630.

Complete financial statements for Northpointe can be obtained from their office located at 715 Pyle Drive, Kingsford, Michigan, 49802.

Accounting Policies - The accounting policies of the County of Dickinson conform to accounting principles generally accepted in the United States of America as applicable to state and local governments. The following is a summary of the more significant policies:

Fund Accounting - The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide and fund financial statements – The government-wide financial statements include a Statement of Net Assets and a Statement of Activities which report the information on all non-fiduciary activities of the primary government and its component units. Most of the effects of interfund activity have been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely primarily on user fees and charges for service. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrate the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identified with a specific function or segment. Program revenues include 1) charges for services to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a specific function or segment and 2) operating grants and contributions that are restricted to meeting the operating or capital requirements of a particular function or segment and 3) other revenues that are by definition related to the cost of providing a specific function or segment. Taxes and other items not specific to particular functions or segments are reported instead as general revenues.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting and financial statement presentation – The government-wide financial statements use the economic resources measurement focus and full accrual basis of accounting which also include the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year in which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when the payment is due.

Property taxes, licenses, interest revenue and charges for services are considered susceptible to accrual and have been recognized as revenues in the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following as major governmental funds:

General Fund – The General Fund is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Revenue Sharing Reserve Fund – Accounts for the activities related to the collection of additional property taxes for the purpose of replacing state revenue sharing for a period of approximately nine or ten years.

Retiree's Medical Care Reserve – Accounts for the activity relating to the accumulation of resources to fund future post-employment health insurance for County retiree's.

District Health Tax – Accounts for the activity of a separately voted tax levy to be used to fund Health Department operations.

Senior Citizens Tax Fund – Accounts for the activity relating to the collection and distribution of a separate tax levy for senior citizens activities.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

County Library Fund – Accounts for activities relating to the operation of the county library.

The County reports the following as major proprietary funds:

Tax Revolving – This fund accounts for the purchase and subsequent collection of delinquent real property taxes from the various taxing units throughout the county.

Additionally, the County reports the following fund types:

Governmental Funds:

Special revenue funds – Special revenue funds are used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments for major capital projects) that are legally restricted to expenditures for specified purposes.

Debt service funds – Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Capital project funds – Capital project funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations or other governmental organizations).

Permanent funds – Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the County's programs.

Proprietary Funds:

Enterprise funds – Enterprise funds may be used to, "report any activity for which a fee is charged to external users for goods and services." GASB Statement 34 states that enterprise funds must be used to account for an activity if any of the following three criteria is satisfied:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or capital debt service), be recovered with fees and charges, rather than with taxes or similar revenues.
- The pricing policies of the activity establishes fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fiduciary Funds:

Agency funds – Agency funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities/enterprise funds, subject to the same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the governmental-wide financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Tax Revolving fund are interest and fees collected on delinquent property taxes. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets, if applicable. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting – Budgets are adopted by the County Board of Commissioners for the general, special revenue, debt service and capital project funds. The budgetary basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget is adopted at the activity level and control is exercised at the activity level. The County Board of Commissioners has authorized the County Controller to make budget transfers between appropriations prior to a regularly scheduled board meeting, when necessary, subject to the following limitations:

- a. No appropriation account may be increased or decreased by more than 20 percent.
- b. Line-item appropriations for salaries, travel, dues and memberships may not be increased.
- c. The transfers must be presented to the Board of Commissioners for approval at its next regularly scheduled meeting.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Equivalents and Investments – Cash and investments are segregated on the Statement of Net Assets. Cash deposits consist of demand and time deposits with financial institutions and are reported at carrying amount which is fair value. Investments are carried at market value. For the purpose of the statement of cash flows, the County considers all highly liquid investments with maturities of less than three months or where there is no loss of principal upon early withdrawal, as cash equivalents.

Taxes Receivable – Current – The County General Fund property tax is levied on each July 1st and other County approved millages are levied on December 1st on the taxable valuation of the property located in the County as of the preceding March 31st and December 31st, respectively.

The extra voted millages of the County's 2007 ad valorem taxes are levied and collectible on December 1, 2007, it is the County policy to recognize revenues from the current tax levy in the subsequent fiscal year when the proceeds from this levy are budgeted and made available for the financing of the extra voted millage purposes. The County also levies all of its operating millage on July 1st, these amounts are recognized as revenue when collected as well as the amount the County expects to receive as part of the tax settlement which is usually within 180 days of the end of the County's fiscal year end.

The December 1, 2007 tax levy for all of the County's extra voted millages will be recorded as taxes receivable and deferred revenue and are anticipated to be as follows (net of DDA and TIFA captures): Library - \$769,393; Senior Citizens - \$341,953; District Health - \$170,976; Bay College - \$854,882. These amounts will be recognized as revenue in fiscal year 2008.

The 2006 taxable valuation of Dickinson County amounted to \$825,715,132 on which ad valorem taxes of 2.0401 mills were levied for County operations (less \$1,490,831 which goes to the Revenue Sharing Reserve Fund), .9000 mills for County Library operating purposes, and .4000 mills for senior citizens programs and .2000 mills for the Health Department. The County also levied 6.1203 mills as part of the July 1st levy, which had a 2007 taxable valuation of \$863,250,079, which was used for County General Fund operations.

For fiscal year 2007, the December 2006 tax levy should raise approximately \$1,684,541 for County operating purposes (less \$1,490,831 to the Revenue Sharing Reserve Fund, for a net amount to the General Fund of approximately \$72,342) \$689,601 for County Library operation and \$306,489 for senior citizens programs, and \$153,245 for Health Department operations. The July 2007 tax levy should raise an additional \$4,889,211 for County operating purposes. The above amounts are net of DDA and TIFA captures with the cities of Norway and Iron Mountain.

In 2004 the County was required by Public Act 357 of 2004, to set aside one-third of the December 2004 levy for County operations into a new fund called the Revenue Sharing Reserve Fund, leaving two-thirds of the levy for County General Fund operations. In July 2005, the County was required to levy one-third of the property taxes for County operations and these funds were used to fund operations for the 2005 fiscal year. For the December 1, 2005 levy, the County levied two-thirds of the total number of mills allocated for County operations, with \$1,490,831 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2006 operations. In July 2006, the County levied two-thirds of the total number of mills allocated for County operations and the proceeds from this levy

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

funded County operations for the 2006 fiscal year. For the December 1, 2006 levy, the County levied one-third of the total number of mills allocated for County operations, with \$1,490,831 going into the Revenue Sharing Reserve Fund and the remaining amount going into the County General Fund to cover fiscal year 2007 operations. In July 2007, the County levied the entire allocated County operating mills which were used to cover County operations for the 2007 fiscal year. For fiscal years 2007 and beyond, the County's operating mills will be levied as part of the July levy, leaving only the extra voted mills to be levied each December.

The Revenue Sharing Reserve Fund was funded by property taxes in the amount of \$4,472,493 over a three-year period and will be used to transfer amounts annually to the General Fund in lieu of the County receiving State revenue sharing payments. The amounts to be transferred to the General Fund will be determined by the State of Michigan annually and an amount of \$510,391 was transferred for the 2007 fiscal year. The County estimates that the Revenue Sharing Reserve Fund will be depleted during the 2013 fiscal year.

Taxes Receivable – Delinquent – The taxes receivable in the business-type activities of \$439,086 in current taxes receivable and \$33,049 listed as a noncurrent asset represent uncollected real property taxes levied prior to 2007. The delinquent real property taxes may be summarized as follows:

2006	\$	441,219
2005		27,416
2004		2,422
Other		1,078
Total	\$	<u>472,135</u>

Interfund Receivables and Payables - During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" on the balance sheet.

Inventory – The County does not record inventory, as all supplies are expensed when purchased. For the Healthcare System inventory is stated at the lower of cost (first-in, first-out) or market. The Road Commission inventory is recorded using the average cost method.

Patient Receivables – Dickinson County Healthcare System – Patient receivables are uncollateralized patient and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provisions.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property Taxes - Assessed property values are established annually (the first Monday in March) by the local units of government and equalized by the State at an estimated 50% of current market value. Property taxable value is determined in accordance with (MCL 211.34d). The property taxes are levied based on taxable value on July 1 and December 1. The County tax is collected during this period by each local taxing district.

Real property taxes not paid by February 28 are purchased by the County as part of the March tax settlement. County property taxes are recognized as revenue in the current fiscal year when services financed by the levy are being provided. The County considers taxes received as part of the annual tax settlement as revenue in the year the tax was levied which is typically within 180 days of the end of the County's fiscal year.

Capital Assets - Capital assets, which include property, buildings, equipment and infrastructure assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial individual cost of more than \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend its life are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the County, as well as its component units, is depreciated using the straight-line method, except for road equipment for the County Road Commission which uses sum-of-the-years'-digits, over the following estimated useful lives:

	Years
Land improvements	15 - 30
Buildings and improvements	10 - 50
Machinery and equipment	3 - 30
Infrastructure	15 - 30

Compensated Absences - County - Employees are granted vacation and sick leave in varying amounts based upon employment classification and length of service. Upon termination, employees are paid for accumulated vacation and sick time, based upon current rate of pay subject to certain limitations. Vacation and sick leave pay is fully accrued in the government-wide financial statements and the proprietary financial statements.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences – Dickinson County Healthcare System – The Healthcare System has a paid-time-off (PTO) program that allows employees to earn vacation and catastrophic leave (CAT) benefits based, in part, on length of service. Employees may accumulate PTO up to a specified maximum. Employees are paid for accumulated PTO if employment is terminated. The PTO program also allows for 25% of accumulated CAT days to be paid out at retirement up to a maximum of 120 hours. CAT days not paid out are applied to years of service for pension credit calculations.

Long-Term Obligations – In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity - Under the provisions of GASB Statement No. 1, a County may establish reserves for those portions of fund equity not appropriable for expenditure or which are legally segregated for a specific future use. Fund equity designations also may be established to indicate tentative plans for financial resource utilization in a future period.

Other Financing Sources (Uses) - The transfers of cash between the various County funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing and borrowing funds, respectively.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Net Patient Service Revenue – Dickinson County Healthcare System -- The Healthcare System has agreements with third-party payors that provide for payments to the Healthcare System at amounts different from its established rates. Payment arrangements included prospectively determined rates, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care – Dickinson County Healthcare System – To fulfill its mission of community service, the Healthcare System provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Healthcare System does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient service revenue.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Advertising Costs – Dickinson County Healthcare System – The Healthcare System expenses advertising costs as incurred.

Risk Management – Dickinson County Healthcare System – The Healthcare System is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illness; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE B – BUDGET/FUND BALANCE NON-COMPLIANCE

General County

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

During the year ended December 31, 2007, expenditures were incurred in excess of the amounts appropriated in the amended budgets for the following funds:

	Total Appropriation	Expenditures	Budget Variance
General Fund	\$ 8,251,470	\$ 8,260,445	\$ (8,975)
Revenue Sharing Reserve	506,455	510,391	(3,936)
Friend of Court	84,493	87,638	(3,145)
Civil Defense	64,466	93,771	(29,305)
Enhanced 911	403,779	454,071	(50,292)

Deficit Fund Balance – A deficit existed in the unreserved fund balance of the Community Service, Civil Defense, Enhanced 911 Funds of \$1,823, \$15,155, and \$19,409, respectively. Public Act 275 of 1980 requires the County to file a deficit elimination plan with the Michigan Department of Treasury showing how the deficit will be eliminated.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS

The County maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Michigan Compiled Laws, Section 129.91 authorizes the County to deposit and invest in the following:

- a. Bonds, securities and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in subdivision (a).
- e. Bankers' acceptances of United States banks.
- f. Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the Investment Company Act of 1940, title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of any of the following:
 - i. The purchase of securities on a when-issued or delayed delivery basis.
 - ii. The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the securities loaned.
 - iii. The limited ability to borrow and pledge a like portion of the portfolios' assets for temporary or emergency purposes.
- h. Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, MCL 124.501 to 124.512.
- i. Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the Local Government Investment Pool Act, MCL 129.141 to 129.150.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

All deposits are carried at cost and are in accordance with statutory authority. The Governmental Accounting Standards Board (GASB) Statement No. 40 risk disclosures for the County's cash deposits and investments are as follows:

	Primary Government	
	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 1,307,007	\$ 1,413,107
Uninsured	7,535,697	8,388,635
Total cash	\$ 8,842,704	\$ 9,801,742
Government-Wide Statement of Net Asset Presentation:		
Cash and equivalents:		
Unrestricted	\$ 8,218,089	
Statement of Fiduciary Net Assets		
Cash and equivalents:		
Unrestricted	624,615	
Total cash and equivalents	\$ 8,842,704	

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a policy for custodial credit risk. As noted in the preceding table, the County has \$8,388,635 of bank deposits that were uninsured and uncollateralized.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE C – CASH AND EQUIVALENTS AND INVESTMENTS (continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the County's name:

Type of Investment	Carrying Value	How Held
U.S. government and agency securities	\$ 547,679	Counter party

Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The County's investment policy does not restrict investment maturities. At year end, the specific maturities of investments are as follows:

Investments	Fair Value	Matures
U.S. government and agency securities:		
FNMA	\$ 15,192	1/15/2009
FNMA	16,228	6/15/2010
FHLMC	16,116	6/15/2011
FHLB	250,000	1/11/2008
FHLMC	250,513	11/26/2012

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and the County's investment policy limit the investment in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. As of year end, the credit quality ratings of debt securities were not applicable as all investments are in government securities.

County Road Commission

At year end, the Road Commission's cash deposits and investments, is as follows:

	Carrying Amount	Bank Balance
Cash and equivalents:		
Deposits:		
Insured (FDIC)	\$ 16,150	\$ 41,057
Imprest	200	-
Total cash	<u>\$ 16,350</u>	<u>\$ 41,057</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Dickinson County Healthcare System

Deposits

Custodial Credit Risk -- Custodial credit risk is the risk that in the event of a bank failure, the Healthcare System's deposits may not be returned to it. The Healthcare System does not have a deposit policy for custodial credit risk. The Healthcare System had bank balances at December 31, 2007 as follows:

	<u>2007</u>
Insured (FDIC)	\$ 121,558
Collateralized by corporate securities held by the pledging institution in the Healthcare System's name	1,000,000
Uncollateralized	<u>8,226,704</u>
Total	<u>\$ 9,348,262</u>
Carrying value	<u>\$ 8,865,372</u>

The carrying value of investments is included in the Healthcare System's statement of net assets as follows:

	<u>2007</u>
Cash and cash equivalents	\$ 8,865,372
Temporary investments	7,759
Restricted assets - current portion	1,302,410
Internally designated for capital improvements	3,728,296
Other long-term investments	4,280,889
Restricted under indenture agreement for debt service	<u>2,128,651</u>
Total	<u>\$ 20,313,377</u>

The breakdown between deposits and investments is as follows:

Carrying amount:	
Deposits	\$ 8,865,372
Investments	11,595,324
Forward purchase contract/deferred gain	<u>(147,319)</u>
	<u>\$ 20,313,377</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Dickinson County Healthcare System (continued)

Investments

The Healthcare System's investments are reported at fair value. At December 31, 2007 the Healthcare System's investments consisted of the following:

	Carrying Amount	Investment Maturities (in Years)			
		Less Than 1	1 - 5	6 - 10	More Than 10
Money market funds	\$ 2,336,131	\$ 2,336,131	\$ -	\$ -	\$ -
Commercial paper	3,185,838	3,185,838	-	-	-
Federal National Mortgage Association	858,328	353,936	251,485	252,907	-
Federal Home Loan Mortgage Corporation	903,534	263,203	640,331	-	-
Federal Home Loan Bank	4,018,483	851,977	2,182,678	983,828	-
Federal Farm Credit Bank	129,563	-	-	129,563	-
U.S. Treasury Note	152,699	152,699	-	-	-
Other	10,748	10,748	-	-	-
Total	<u>\$ 11,595,324</u>	<u>\$ 7,154,532</u>	<u>\$ 3,074,494</u>	<u>\$ 1,366,298</u>	<u>\$ -</u>

Interest Rate Risk – The Healthcare System's investment policy contains a provision that limits the investment maturities of commercial paper to 270 days as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment policy does not contain a provision that limits other types of investment maturities.

Credit Risk – The Healthcare System complies with State statutes with regard to credit risk. As of December 31, 2007, the Healthcare System's investment in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, US Treasury Notes, and Federal Farm Credit Bank are rated AAA by Moody's Investors Service.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE C - CASH, CASH EQUIVALENTS AND INVESTMENTS (continued)

Dickinson County Healthcare System (continued)

Concentration of Credit Risk – The Healthcare System currently does not place a limit on the amount it may invest with any one issuer. More than 5 percent of the Healthcare System's investments are in the following investments as of December 31, 2007:

	Percentage
Federal Home Loan Mortgage Corporation	7.8%
Federal National Mortgage Association	7.4%
Federal Home Loan Bank	34.7%
UBS Finance (Delaware)LLC - Commercial Paper	27.5%

Investment Income – Investment income and gains and losses on cash equivalents, and investments consist of the following for the year ended December 31, 2007:

	2007
Interest income and realized gains and losses	\$ 897,207
Interest income on proceeds of borrowed funds	169,797
Total investment income	<u>\$ 1,067,004</u>
Change in unrealized gains and losses on investments	<u>\$ 118,670</u>

NOTE D – RECEIVABLES

Receivables as of December 31, 2007 consist of the following:

	Governmental Activities	Business-Type Activities	Component Units	
			Road Commission	Healthcare System
Accounts	\$ 143,696	\$ -	\$ -	\$ 11,052,268
Taxes	1,559,857	472,135	-	-
Interest	-	54,405	-	-
Due from other local units	95,472	-	-	-
Due from the State of Michigan	282,140	-	-	-
Total	<u>\$ 2,081,165</u>	<u>\$ 526,540</u>	<u>\$ -</u>	<u>\$ 11,052,268</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE E - INTERFUND RECEIVABLES AND PAYABLES

Individual interfund receivable and payable balances represent temporary advances between funds. At December 31, 2007 the interfund receivable and payable balances are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
		Tax Revolving Trust and Agency	\$ 246,261 9,204
General Fund	\$ 255,465	Subtotal	255,465
Tax Revolving	53,056	Trust and Agency	53,056
Public Improvement	28,979	Airport	28,979
Fontana Terminal Trust	60,000	Public Improvement	60,000
Total	\$ 397,500	Total	\$ 397,500

Financial Statement Presentation:

Governmental Funds	\$ 344,444	Governmental Funds	\$ 88,979
Enterprise Funds	53,056	Enterprise Funds	246,261
Fiduciary Funds	-	Fiduciary Funds	62,260
Total	\$ 397,500		\$ 397,500

COUNTY OF DICKINSON, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE F – CAPITAL ASSETS

County

Capital asset activity for the year ended December 31, 2007, was as follows:

	Balance at 01/01/07	Additions	Disposals	Balance at 12/31/07
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,640,279	\$ -	\$ -	\$ 1,640,279
Capital assets being depreciated:				
Buildings and improvements	9,086,358	593,513	-	9,679,871
Machinery and equipment	2,236,366	80,678	9,209	2,307,835
Library books & materials	654,568	62,280	-	716,848
Infrastructure	7,995,408	145,649	-	8,141,057
Total depreciable asset	<u>19,972,700</u>	<u>882,120</u>	<u>9,209</u>	<u>20,845,611</u>
Total capital assets	<u>21,612,979</u>	<u>882,120</u>	<u>9,209</u>	<u>22,485,890</u>
Less accumulated depreciation:				
Buildings and improvements	3,006,862	216,370	-	3,223,232
Machinery and equipment	1,283,735	181,903	-	1,465,638
Library books & materials	395,456	76,006	8,857	462,605
Infrastructure	2,920,655	514,470	-	3,435,125
Total accumulated depreciation	<u>7,606,708</u>	<u>988,749</u>	<u>8,857</u>	<u>8,586,600</u>
Net depreciable capital assets	<u>12,365,992</u>	<u>(106,629)</u>	<u>352</u>	<u>12,259,011</u>
Governmental activities capital assets, net	<u>\$ 14,006,271</u>	<u>\$ (106,629)</u>	<u>\$ 352</u>	<u>\$ 13,899,290</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
Judicial system	\$ 35,506
General government	664,043
Public safety	84,199
Health and welfare	7,752
Recreation and culture	<u>197,249</u>
Total governmental activities depreciation expense	<u>\$ 988,749</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE F – CAPITAL ASSETS (continued)

Road Commission

The following is a summary of changes in capital assets of the Road Commission for the year ended December 31, 2007:

	Balance at 01/01/07	Additions	Disposals	Balance at 12/31/07
Capital assets not being depreciated:				
Land and improvements	\$ 205,915	\$ -	\$ -	\$ 205,915
Infrastructure land improvements	12,494,160	459,926	-	12,954,086
Total non-depreciable capital assets	12,700,075	459,926	-	13,160,001
Capital assets being depreciated:				
Buildings	1,499,423	-	-	1,499,423
Machinery and equipment	5,740,913	194,771	145,864	5,789,820
Infrastructure - roads	26,857,538	1,415,713	-	28,273,251
Infrastructure - bridges	3,083,681	28,035	-	3,111,716
Total depreciable capital assets	37,181,555	1,638,519	145,864	38,674,210
Total capital assets	49,881,630	2,098,445	145,864	51,834,211
Less accumulated depreciation:				
Buildings	553,182	31,614	-	584,796
Machinery and equipment	5,238,756	231,818	117,549	5,353,025
Infrastructure - roads	13,149,051	1,378,090	-	14,527,141
Infrastructure - bridges	943,895	69,791	-	1,013,686
Total accumulated depreciation	19,884,884	1,711,313	117,549	21,478,648
Net depreciable capital assets	17,296,671	(72,794)	28,315	17,195,562
Capital assets, net	\$ 29,996,746	\$ 387,132	\$ 28,315	\$ 30,355,563

Depreciation expense was charged to the following activities:

Net Equipment Expense	
Direct equipment	\$ 213,356
Indirect equipment	45,089
Net Administrative Expense	
Office equipment	4,987
Infrastructure depreciation	1,447,881
Total Depreciation Expense	\$ 1,711,313

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE F – CAPITAL ASSETS (continued)

Dickinson County Healthcare System

The following is a summary of changes in capital assets of the Dickinson County Healthcare System for the year ended December 31, 2007:

	Balance at 01/01/07	Additions	Transfers and Retirements	Balance at 12/31/07
Capital assets not being depreciated:				
Land	\$ 1,623,212	\$ -	\$ -	\$ 1,623,212
Construction in progress	3,022,632	3,051,530	(4,624,226)	1,449,936
Total non-depreciable capital assets	4,645,844	3,051,530	(4,624,226)	3,073,148
Capital assets being depreciated:				
Land improvements	972,986	66,328	(27,734)	1,011,580
Buildings and improvements	39,936,172	117,042	(218,330)	39,834,884
Equipment	31,846,733	1,930,791	1,554,319	35,331,843
Total depreciable capital assets	72,755,891	2,114,161	1,308,255	76,178,307
Total capital assets	77,401,735	5,165,691	(3,315,971)	79,251,455
Less accumulated depreciation:				
Land improvements	260,914	50,999	(24,962)	286,951
Buildings and improvements	12,038,051	1,215,399	(88,624)	13,164,826
Equipment	19,374,988	3,050,883	(2,660,116)	19,765,755
Total accumulated depreciation	31,673,953	4,317,281	(2,773,702)	33,217,532
Net depreciable capital assets	41,081,938	(2,203,120)	4,081,957	42,960,775
Capital assets, net	\$ 45,727,782	\$ 848,410	\$ (542,269)	\$ 46,033,923

Construction in progress at December 31, 2007, represent costs related to information technology and other equipment purchased and not placed into service. The total estimated cost to complete the projects is \$2,460,000 which will be funded with internally designated funds.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G – LONG-TERM DEBT

County

The following is a summary of changes in long-term debt for the year ended December 31, 2007:

Type of Debt	Balance 1/1/2007	Additions	Deductions	Balance 12/31/2007	Amounts Due Within One Year
Governmental activities:					
Correction Center Bonds	\$ 210,000	\$ -	\$ 105,000	\$ 105,000	\$ 105,000
Fair Bonds	125,000	-	16,000	109,000	16,000
Compensated absences:					
General County	335,024	-	16,941	318,083	79,851
County Library	16,592	12,404	-	28,996	6,919
Post retirement benefits -					
County Library	556,386	-	556,386	-	-
Total governmental activities long-term debt	<u>\$ 1,243,002</u>	<u>\$ 12,404</u>	<u>\$ 694,327</u>	<u>\$ 561,079</u>	<u>\$ 207,770</u>

Debt service requirements on long-term debt at December 31, 2007 are as follows:

For the Year Ending December 31,	Governmental Activities	
	Bonds Payable	
	Principal	Interest
2008	\$ 121,000	\$ 5,898
2009	16,000	3,927
2010	16,000	3,296
2011	16,000	2,658
2012	16,000	1,984
2013-2014	29,000	1,895
Total	<u>\$ 214,000</u>	<u>\$ 19,658</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G – LONG-TERM DEBT (continued)

Governmental Activities:

In 2003 the County issued bonds in the amount of \$500,000 for improvements to the County Correctional Facility. The interest rate ranges from 1.5% to 2.55% with an ending maturity date of 5/1/08. Annual principal payments are due each May 1st and semi-annual interest payments are due each May 1st and November 1st.

In 2004 the County issued bonds in the amount of \$157,000 for improvements at the County fair grounds. The interest rate ranges from 3.9% to 4.55% with an ending maturity date of 11/1/14. Annual principal and interest payments are due each November 1st.

Compensated Absences

Vacation Benefit Policies – The County's employment policies provide for the accumulation of vacation benefits to be earned in varying amounts depending on an employee's years of service. The annual vacation benefits earned by each employee are credited on his or her employment anniversary date.

Sick Leave Benefit Policies – General County employees, union and nonunion, earn one day of sick leave per month. Sheriff Department employees earn sick leave upon hire at one day per month. After accumulation of 100 days, the employee is paid annually 25 percent of their accumulated leave in excess of 100 days in January the following year.

See Note K for information regarding post-employment benefits.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G – LONG-TERM DEBT (continued)

Road Commission

The following is a summary of changes in long-term debt for the year ended December 31, 2007:

Type of Debt	Balance 1/1/2007	Additions	Deductions	Balance 12/31/2007	Amounts Due Within One Year
Equipment Lease-Purchase Agreements:					
Caterpillar Financial Services:					
September 2002 lease	\$ 10,359	\$ -	\$ 10,359	\$ -	\$ -
September 2002 lease	29,481	-	29,481	-	-
September 2002 lease	34,048	-	34,048	-	-
November 2003 lease	82,336	-	44,162	38,174	38,174
Deere Credit Services:					
May 2002 lease	10,327	-	10,327	-	-
Daimler-Chrysler North America LLC:					
May 2003 lease	40,197	-	29,945	10,252	10,252
June 2003 lease	48,981	-	34,285	14,696	14,696
First National Bank of Norway					
February 2001 - lease	1,434	-	1,434	-	-
February 2001 - lease	912	-	912	-	-
Canon Financial					
February 2005 - lease	6,152	-	1,173	4,979	1,346
GMAC					
September 2006 lease	23,947	-	4,418	19,529	4,780
Navistar Financial					
January 2007 - lease	-	170,029	27,897	142,132	32,019
Vested employee benefits	337,001	7,620	-	344,621	-
Total	\$ 625,175	\$ 177,649	\$ 228,441	\$ 574,383	\$ 101,267

Debt service requirements on long-term debt at December 31, 2007 are as follows:

For the Year Ending December 30,	Lease-Purchase Agreements	
	Principal	Interest
2008	\$ 101,267	\$ 9,753
2009	40,475	6,418
2010	43,283	3,777
2011	41,518	1,378
2012	3,219	14
Total	\$ 229,762	\$ 21,340

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G – LONG-TERM DEBT (continued)

Equipment Lease-Purchase and Loan Agreements

Caterpillar Leasing

1. September 2002 lease-purchase for a caterpillar D3 dozer. The lease has an original principal amount of \$70,269 and calls for 60 monthly installments of \$1,317 at 4.5% interest, is secured by the equipment and matures in 2007.
2. September 2002 lease-purchase for a caterpillar D6 dozer. The lease has an original principal amount of \$179,009 and calls for 60 monthly installments of \$3,337 at 4.5% interest, is secured by the equipment and matures in 2007.
3. September 2002 lease-purchase for a caterpillar 143H motor grader. The lease has an original principal amount of \$206,746 and calls for 60 monthly installments of \$3,854 at 4.5% interest, is secured by the equipment and matures is 2007.
4. November 2003 lease-purchase for a caterpillar 972G wheel loader. The lease has an original principal amount of \$211,800 and calls for 60 monthly installments of \$3,888 at 3.86% interest, is secured by the equipment and matures in 2008.

Deere Credit Leasing

1. May 2002 lease-purchase for a John Deere 772H motor grader. The lease has an original principal amount of \$139,000 and calls for 60 monthly installments of \$2,607 at 4.75% interest, is secured by the equipment and matures in 2007.

Daimler-Chrysler Services

1. May 2003 lease-purchase for a quad axle dump truck. The lease has an original principal amount of \$140,723 and calls for 60 monthly installments of \$2,584 at 4.02% interest, is secured by equipment and matures in 2008.
2. May 2003 lease-purchase for a quad axle dump truck. The lease has an original principal amount of \$161,658 and calls for 60 monthly installments of \$2,969 at 4.02% interest, is secured by the equipment and matures in 2008.

First National Bank of Norway

1. February 2004 lease-purchase of Chevrolet Silverado ¾ ton truck. The lease has an original principal amount of \$24,214 and calls for 36 monthly installments of \$721 at 4.5% interest, secured by the equipment.
2. February 2004 lease-purchase of a Chevrolet Tahoe. The lease has an original principal amount of \$30,761 and calls for 36 monthly installments of \$916 at 4.5% interest, secured by the equipment.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G – LONG-TERM DEBT (continued)

Canon Financial

1. February 2005 lease-purchase of a copy machine. The lease has an original principal amount of \$8,000 and calls for 60 monthly installments of \$147 at 4.02% interest, secured by the equipment.

GMAC

1. September 2006 lease-purchase of a 2007 Silverado. The lease has an original principal amount of \$25,510 and calls for 60 monthly installments of \$513 at 7.9% interest, secured by equipment.

Navistar Financial

1. January 2007 lease-purchase of a 2007 International 5600 truck. The lease has an original principal amount of \$170,029 and calls for 60 monthly installments of \$3,233 at 5.31% interest, secured by the equipment.

Vested Employee Vacation Benefits

Vacation benefits are earned monthly at various rates based on length of service. Each hourly (union) employee may accumulate a maximum of 240 hours of vacation time. Any authorized accumulation over the maximum 240 hours will be paid to an employee as a lump sum.

Employee Sick Leave Benefits

Each hourly (union) employee will be granted sick leave at the rate of 8 hours for each month of employment and shall be able to accumulate sick leave to a maximum 600 hours. Salaried employees may earn sick leave with no accumulation limit.

Accumulated sick leave benefits are paid in accordance with the following provisions:

1. Voluntary termination – Salaried employees will be paid 50% of their accumulated sick leave, hourly (union) employees will not be entitled to any payment for unused sick days.
2. Retirement or death – For those hired prior to January 1, 1995, salaried and hourly (union) employees will be paid 100% of their accumulated sick leave, not to exceed 600 hours upon retirement, or in the case of death to the employees beneficiary. For employees hired after January 1, 1995, they will be paid 100% of their accumulated sick leave, not to exceed 400 hours upon retirement, or in the case of death to the employee's beneficiary.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G – LONG-TERM DEBT (continued)

Dickinson County Healthcare System

The following is a summary of changes in long-term debt for the year ended December 31, 2007:

Type of Debt	Balance 1/1/2007	Additions	Deductions	Balance 12/31/2007	Amounts Due Within One Year
Hospital revenue bonds, series 2004	\$ 4,772,750	\$ -	\$ 106,941	\$ 4,665,809	\$ 113,153
Hospital revenue and refunding bonds, series 1999	29,670,000	-	975,000	28,695,000	1,030,000
Original issue discount	(215,122)	-	(19,795)	(195,327)	-
Equipment note payable	897,627	360,857	199,983	1,058,501	317,755
Unamortized loss on defeasance of series 1994 bonds	(2,484,558)	-	(228,715)	(2,255,843)	-
Total	\$ 32,640,697	\$ 360,857	\$ 1,033,414	\$ 31,968,140	\$ 1,460,908

The terms and due dates of the Healthcare System's long-term debt, including capital lease obligations, at December 31, 2007 are as follows:

- 5.66% Dickinson County Healthcare System, County of Dickinson, State of Michigan, Hospital Revenue Bonds, Series 2004 (Series 2004 Bonds) – due in monthly installments of \$31,194 including interest, to August 2029, secured by certain equipment. (1)
- 5.25% to 5.80% Dickinson County Healthcare System, County of Dickinson, State of Michigan, Hospital Revenue and Refunding Bonds, Series 1999 (Series 1999 Bonds) – due in varying annual installments to November 2024, secured by a pledge of net revenues, investment income, and bond funds held under the indenture agreement. (1)
- Original Issue Discount – Associated with the Series 1999 Bonds issuance.
- Equipment Note Payable – Megavoltage Radiation Therapy (MRT) equipment note payable #1 – During 2000 the Healthcare System entered into a 6%, 10-year note payable with Marquette General Hospital (an unrelated organization) for the purchase of MRT equipment. The note payable is due in monthly installments of \$20,700 to January 2011, and is secured by the MRT equipment. MRT equipment note payable #2 – During 2007, the Healthcare System placed in service certain equipment provided by Marquette and recorded a corresponding liability. On February 8, 2008, the Healthcare System entered into a 6%, 35 month note payable with Marquette. The note payable is due in monthly installments of \$11,373 commencing March 2008 to January 2011, and is secured by certain equipment.
- Unamortized Loss on Defeasance of Series 1994 Bonds – During 1999, the Healthcare System defeased the Series 1994 Revenue Bonds by issuing the Series 1999 bonds. A portion of the Series 1999 bond proceeds totaling \$32,810,599 was placed in an irrevocable trust to provide for all future debt service payments on the 1994 bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in these financial statements. The resulting loss on defeasance of approximately \$4,480,000 is being amortized using the straight-line method, over the life of the Series 1999 bonds.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE G – LONG-TERM DEBT (continued)

- (1) The Series 2004 bonds and Series 1999 bonds loan agreements place limits on the incurrence of additional borrowings and requires the Healthcare System satisfy certain measures of financial performance. The Series 1999 bonds loan agreement also requires the Healthcare System maintain certain deposits with a trustee. Such deposits are shown as restricted for this purpose in the statement of net assets.

Debt service requirements on long-term debt at December 31, 2007 are as follows:

For the Year Ending December 30,	Long-Term Debt		Total
	Principal	Interest	
2008	\$ 1,460,908	\$ 1,950,500	\$ 3,411,408
2009	1,587,079	1,867,679	3,454,758
2010	1,659,843	1,777,767	3,437,610
2011	1,404,273	1,691,620	3,095,893
2012	1,461,827	1,616,160	3,077,987
2013-2017	8,542,719	6,768,027	15,310,746
2018-2022	11,307,634	4,023,143	15,330,777
2023-2027	6,407,231	822,692	7,229,923
2028-2029	587,796	29,242	617,038
	34,419,310	\$ 20,546,830	\$ 54,966,140
Less unamortized bond discount	(195,327)		
Less unamortized loss on defeasance	(2,255,843)		
Total	\$ 31,968,140		

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE H – OPERATING LEASES – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System leases certain medical and other equipment and office space under operating leases having terms of more than one year. Total operating lease expense for the year ended December 31, 2007 for all leases was \$466,802. Minimum future lease payments for these operating leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2008	\$ 234,177
2009	109,617
2010	79,115
2011	7,449
Total minimum lease payments	<u>\$ 430,358</u>

NOTE I - OPERATING TRANSFERS IN AND OUT

Transfers between governmental and proprietary funds are primarily made for operating appropriations and are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 617,603	\$ 1,231,976
Revenue Sharing Reserve	-	510,391
Retiree's Medical Reserve	25,000	-
County Parks	110,000	-
Community Service	92,637	-
Friend of Court	68,993	-
Public Improvement	95,800	-
County Fair	16,227	21,192
Homestead Property Exemption	-	946
Civil Defense	51,576	-
Enhanced 911	185,856	-
Law Library	21,133	-
Veterans Tax	74,500	-
Child Care	300,000	-
County Airport	120,500	38,838
Alcohol Assessment	8,592	-
County Fair Debt	21,192	-
Correction Complex Debt	100,000	-
County Library	1,893	-
Library Trust	-	1,893
Enterprise Funds:		
Tax Revolving	-	106,266
Total	<u>\$ 1,911,502</u>	<u>\$ 1,911,502</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE J - RETIREMENT PLANS

General County

Plan Description - The General County, County Library and the County Road Commission (discretely presented component unit) participate in a defined benefit retirement plan. All plan types are administered by the Municipal Employee's Retirement System (MERS). All plans cover substantially all full-time employees. MERS is an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for Michigan municipal employees.

The Municipal Employees Retirement System of Michigan (MERS) is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits, on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a non-profit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the Legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers and the public employees who are its beneficiaries.

The passage of HB-5525/Act No. 220, with enactment on May 28, 1996 allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 447 N. Canal Road, Lansing, MI 48917.

General County Retirement Plan - There are seven valuation divisions within the plan. The and Library division has adopted benefit B-3 and the AFSCME, Sheriff, General Nonunion, UP Labor Union, Sheriff Corrections and Communication Officers have adopted benefit B-4. Under benefit B-3 employees shall receive 2.25% of their five-year final average compensation. Benefit B-4 provides for employees to receive 2.5% of their final three year final average compensation, depending on the benefit adopted, with a maximum benefit of 80% of the final average compensation. Retirement eligibility and requirements vary by department. Employees are required to contribute and the percent of contribution on covered payroll varies by division. The most recent actuarial report gives the details of the plan and a copy is on file in the County Controllers office.

Actuarial Accrued Liability - The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the actuarial accrued liability include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 8.40% per year, depending on age, attributable to seniority/merit.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE J – RETIREMENT PLANS (continued)

All entries are based on the actuarial methods and assumptions that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

GASB 25 INFORMATION (as of 12/31/06)

Actuarial Accrued Liability:	
Retirees and beneficiaries currently receiving benefits	\$ 9,781,455
Terminated employees not yet receiving benefits	1,050,471
Non-vested terminated employees (pending refunds of accumulated member contributions)	26,893
Current Employees:	
Accumulated employee contributions including allocated investment income	881,573
Employer financed	<u>7,974,996</u>
Total actuarial accrued liability	19,715,388
Net assets available for benefits, at actuarial value (market value is \$15,089,025)	<u>14,880,858</u>
Unfunded (overfunded) actuarial accrued liability	\$ 4,834,530

GASB 27 INFORMATION (as of 12/31/06)

Fiscal year beginning	January 1, 2008
Annual required contribution (ARC)	\$ 538,968
Amortization factor used - underfunded liabilities (30 years)	0.054719

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using the entry age normal cost actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2004	\$ 388,666	100%	-
2005	397,431	100%	-
2006	448,634	100%	-

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE J - RETIREMENT PLANS (continued)

The General County was required to contribute \$477,507 for the year ended December 31, 2007, with employee contributions totaling \$186,275 and \$178,682 for the fiscal years 2007 and 2006. Payments were based on contribution calculations made by MERS.

The County was required to contribute at an actuarially determined rate, which is a percentage of covered payroll as listed below:

Valuation Division	Contribution Percentage					
	2008 *	2007 *	2006 *	2005 *	2004 *	2003 *
AFSCME	13.81%	13.23%	13.81%	14.76%	11.88%	11.71%
Sheriff	12.51%	11.77%	12.53%	12.43%	8.98%	8.20%
Library	14.27%	13.81%	13.15%	14.86%	14.74%	13.05%
General Nonunion	21.04%	17.46%	17.28%	15.13%	11.48%	10.29%
Sheriff Corrections	8.02%	7.85%	9.47%	9.92%	@	@
UP Labor Union	14.55%	14.55%	14.25%	@	@	@
Communication Officers	48.76%	47.72%	66.18%	@	@	@

* Represents the actuarial required contribution for the fiscal year beginning January 1.

@ Valuation division did not exist in this fiscal year.

Employee required contributions were as follows:

Valuation Division	Contribution Percentage				
	2008 *	2007 *	2006 *	2005 *	2004 *
AFSCME	5.00%	5.00%	2.00%	2.00%	2.00%
Sheriff	6.18%	6.18%	5.18%	5.18%	2.00%
Library	2.00%	2.00%	2.00%	2.00%	2.00%
General Nonunion	6.55%	6.55%	5.55%	5.55%	2.00%
Sheriff Corrections	5.06%	5.06%	4.06%	4.06%	@
UP Labor Union	6.15%	6.15%	5.15%	@	@
Communication Officers	7.80%	6.80%	6.80%	@	@

* Represents the actuarial required contribution for the fiscal year ended.

@ Valuation division did not exist in this fiscal year.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2004	\$ 13,114,856	\$ 16,694,664	\$ 3,579,808	79%	\$ 3,140,182	114%
2005	13,852,163	17,796,037	3,943,874	78%	3,105,413	127%
2006	14,880,858	19,715,388	4,834,530	75%	3,288,796	147%

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE J - RETIREMENT PLANS (continued)

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

County Road Commission

Road Commission Retirement Plan - The Dickinson County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times final average compensation.

Funding Policy - Members of the employee's group do not contribute any annual compensation. One member of the Road Commissioner's group contributes 3% of the first \$4,200 and 5% of his annual compensation in excess of \$4,200. The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy. The Road Commission is required to contribute at an actuarially determined rate; the rate for the year ended December 31, 2006 was 14.85% and 0.00% of covered payroll for the General-Other and General-Road Commission Groups.

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2004	\$ 170,605	100%	\$ -
2005	180,520	100%	-
2006	197,895	100%	-

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE J - RETIREMENT PLANS (continued)

Aggregate Accrued Liabilities - Comparative Schedule

Valuation Date December 31,	Actuarial Value of Assets	Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2004	\$ 5,320,699	\$ 6,955,360	\$ 1,634,661	76%	\$ 1,341,558	122%
2005	5,457,432	7,194,893	1,737,461	76%	1,290,809	135%
2006	5,700,600	7,345,588	1,644,988	78%	1,359,567	121%

Dickinson County Healthcare System

The Healthcare System is the administrator of a single-employer defined benefit noncontributory pension plan (Plan) covering substantially all of its employees who have met the Plan's eligibility requirements. The Plan was established in 1965 and most recently amended January 1, 2004. The most recent actuarial valuation was made as of January 1, 2008. Based on actuarial information, the Healthcare System's estimated payroll for employees covered by the plan for the years ended December 31, 2007 and 2006 was \$30,967,000 and \$28,334,000. The Healthcare System's total actual payroll for the years ended December 31, 2007 and 2006 was approximately \$32,620,000 and \$31,039,000.

Current membership in the Plan consists of the following at December 31:

	2007	2006
Retirees and beneficiaries currently receiving benefits	186	183
Vested terminated members	140	132
Active and inactive employees:		
Fully vested	512	523
Nonvested	152	162
Total	990	1,000

All employees of the Healthcare System are eligible to participate in the Plan following the completion of at least one year of service and a minimum of 1,000 hours. Benefits vest after five years of service and minimum of 1,000 hours per year.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE J - RETIREMENT PLANS (continued)

Normal retirement age is 65 with the completion of five or more years of service. Normal retirement pays a monthly pension for life, equal to 1.25% of average monthly compensation per year of credited service plus 0.65% of average monthly compensation in excess of covered compensation per year of service up to maximum of 35 years, with a \$50 minimum. Participants may elect an early retirement on or after age 60 which pays a monthly pension for life computed in the same manner as a normal retirement pension, but based on service and earnings to date of retirement, and actuarially reduced to reflect the early commencement date.

Active employees with 15 or more years of service and who have attained age 50, who become disabled are eligible for a disability pension, provided they qualify for Social Security disability. A disability pension is computed in the same manner as a normal retirement pension, but based on service and earnings to the date of disability.

If a vested employee dies, a death benefit is paid to the surviving spouse. Fifty percent of the deceased employee's benefit accrued to the date of death, is paid immediately or at the date the employee would have been age 60, whichever is later.

Funding Policy – The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The required contributions for the years ended December 31, 2007 and 2006 were 5.87% and 5.58%, of annual covered payroll.

Annual Pension Cost – For 2007, 2006, 2005, 2004, and 2003, the Healthcare System's annual pension cost was equal to the Healthcare System's required and actual contributions. The required contribution was determined as part of the January 1, 2007, 2006, 2005, 2004, and 2003, actuarial valuations using the projected unit credit cost actuarial funding method. The actuarial assumptions for fiscal 2007 and 2006 included (a) 8.0% investment rate of return (8.5% for 2006) and (b) salary increases including merit and seniority increases ranging from 0.16% to 3.84% per year, plus wage inflation of 4.0% (5% for 2006). The assumptions regarding benefits are that no changes will occur on a post-retirement basis.

The Healthcare System's annual pension cost, and required and actual contributions for the years ended December 31, 2007, 2006, 2005, 2004, and 2003 were approximately \$1,818,000, \$1,582,000, \$1,437,000, \$1,267,000, and \$1,048,000. The net pension obligation for the years ended December 31, 2007, 2006, 2005, 2004, and 2003 was zero.

A separately issued financial report of the Dickinson County Healthcare System Retirement Plan is available which includes financial statements and required supplementary information for the Plan.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE K – POST-EMPLOYMENT BENEFITS

County

The County provides certain post-employment health benefits per contractual agreement. Upon retirement, and if the employee qualifies for retirement benefits under MERS the County pays the same percentage of hospitalization premiums for retirees as paid for the retiree at the time of retirement, but only for employees hired prior to January 1, 1996. The benefit covers the employee and their dependents until the employee's death, after the employee's death the surviving spouse must pay for the benefit. The County does not pay anything for retiree's health insurance coverage for employees hired after January 1, 1996 but such employees may "self-pay" for continued coverage after the date of their retirement. For the year ended December 31, 2007 the County has not performed an actuarial valuation for the post-employment health benefits and it is the County's policy to fund this benefit on a pay-as-you-go basis. The following is a summary of the post-employment health benefits:

<u>For the year ended December 31,</u>	<u>Annual Cost</u>	<u>Number of Retirees Receiving Benefits</u>
2005	\$ 328,883	29
2006	368,785	29
2007	394,757	29

County Library

County Library employees have the same benefits as general county employees as noted above. The total current year expense incurred for payment of post-retiree's health insurance for County Library employee's amounted to \$30,601 and \$32,135 in 2007 and 2006, respectively.

County Road Commission

Health Care Insurance Benefits

In addition to the pension benefits described in Note J, the Dickinson County Road Commission provides post-employment health care insurance benefits to specified retired employees and/or their spouse. The benefits are provided in accordance with Article 10, Section 1, of the union agreement, which includes the following provision:

"A retiree plan which excludes the Drug Rider will be provided to the retiree and his/her dependents for three (3) years following retirement. After three (3) years, the employer will pay towards the retiree's premium only, in the amount equivalent to the complimentary plan for five (5) years."

In accordance with the working agreement of salaried employees with the Dickinson County Road Commission, salaried employees upon retirement are entitled to the same plan that they had while employed, except for the Drug Rider, until death and spouse until age 70, with the total cost of the plan paid by the Road Commission.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE K – POST-EMPLOYMENT BENEFITS (continued)

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. The following is a summary of the post-employment health benefits:

For the year ended December 31,	Annual Cost	Number of Retirees Receiving Benefits
2005	\$ 128,778	12
2006	145,655	13
2007	89,310	9

Life Insurance

Salaried employees, upon retirement, are entitled to \$5,000 of life insurance with the premium paid by the Road Commission.

The Road Commission's policy is to finance this benefit on a pay-as-you-go basis. During 2006, 5 retirees were eligible for this benefit at a total cost of approximately \$240.

NOTE L – DESIGNATED/RESERVED FUND EQUITY

- A. Fund equity has been designated in the Public Improvement fund for specific capital projects in the net amount of (\$1,422).
- B. Fund equity has been designated in the County Library fund for compensated absences (\$16,592), building improvements (\$110,000), post-retirement benefits (\$111,277) and operating expenses (\$380,000).
- C. Fund equity has been reserved for the unspendable portion of fund equity in each permanent fund as follows: Fontana Terminal Trust - \$706,303; Fumee Lake Trust - \$206,854; Library Trust - \$82,393.
- D. Fund equity has been reserved in the Enhanced 911 Fund in the amount of \$7,901 for unspent training funds.

NOTE M - CONTINGENT LIABILITIES

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE N - RISK MANAGEMENT

County

The County of Dickinson participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$75,000. The limits on auto physical damage are \$15,000 per unit and \$30,000 per occurrence. The retention limits for property coverage are subject to a \$1,000 deductible with 10 percent of the first \$100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

At December 31, 2007, the County had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

County Road Commission

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance for medical benefits claims and participants in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, trunkline liability, errors and omissions, physical damage (equipment, buildings and contents) and workers' compensation. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 years.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE N - RISK MANAGEMENT (continued)

The county road commissions in the State of Michigan established and created a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provisions of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Dickinson County Road Commission became a member of the Pool for liability and property coverage in 1991 and for workers' compensation coverage in 1993.

The Michigan County Road Commission Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan, member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE O – CHARITY CARE – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The amounts of charges foregone, based on established rates, were \$1,650,321 and \$1,582,819 for the years ended December 31, 2007 and 2006.

NOTE P – NET PATIENT SERVICE REVENUE – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System has agreements with third-party payors that provide for payments to the Healthcare System at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare: Inpatient acute care and outpatient services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. The Healthcare System's Medicare cost reports have been settled by the Medicare fiscal intermediary through the year ended December 31, 2005. The Healthcare System's classification of patients under Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Healthcare System.

Medicaid: Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary accordingly to a patient classification system that is based on clinical, diagnostic, and other factors. Defined capital costs are paid based on a cost reimbursement methodology for inpatient services. Outpatient services related to Medicaid program beneficiaries are reimbursed on a fee for service basis. The Healthcare System's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through December 31, 1999.

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE P – NET PATIENT SERVICE REVENUE – DICKINSON COUNTY HEALTHCARE SYSTEM (continued)

Blue Cross: Inpatient and outpatient services rendered to Blue Cross subscribers are paid on a cost related methodology with final settlement determined after submission of annual cost reports by the Healthcare System and are subject to audits thereof by Blue Cross. The Healthcare System's Blue Cross cost reports have been settled by Blue Cross through December 31, 2005.

The Healthcare System has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Healthcare System under these agreements includes prospectively determined rates per discharge and discounts from established charges.

Laws and regulations governing Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Net patient service revenue for the year ended December 31, 2007 increased approximately \$978,000 and for the year ended December 31, 2006 increased approximately \$379,000 due to removal of allowances previously estimated that are no longer necessary as a result of final settlements and years that are no longer likely subject to audits, reviews, and investigations.

A summary of patient service revenue, contractual adjustments, and provision for bad debts for the years ended December 31, 2007 and 2006 are as follows:

	2007	2006
Gross patient service revenue	\$ 164,008,144	\$ 152,359,639
Less: Charity care	(1,650,321)	(1,582,819)
Total patient service revenue	162,357,823	150,776,820
Contractual adjustments		
Medicare	(44,426,501)	(41,675,599)
Medicaid	(11,552,593)	(10,203,711)
Blue Cross	(23,536,048)	(20,724,130)
Other	(8,999,377)	(8,186,587)
Provisions for bad debts	(5,089,829)	(3,864,841)
Total contractual adjustments and provisions for bad debts	(93,604,348)	(84,654,868)
Net patient service revenue	\$ 68,753,475	\$ 66,121,952

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE Q – GENERAL AND PROFESSIONAL LIABILITY INSURANCE – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System carries general and professional liability insurance the MHA Insurance Company. The Healthcare System's professional liability insurance coverage provides protection for professional liability losses up to \$1 million per claim and \$3 million annual aggregate on a claims-made basis subject to a deductible per claim of \$50,000 per occurrence and an annual aggregate deductible for all claims of \$150,000. General liability claims are insured on a claims-made basis subject to limits of \$1 million per claim and \$3 million annual aggregate for all claims. The Healthcare System also has excess layered coverage of \$3 million.

The Healthcare System has exposure to deductibles for professional liability claims and a liability for such claims has been established based upon an actuarial determination of expected losses on an occurrence basis.

The Healthcare System's estimate of general and professional liability includes a provision for known claims and for unreported claims and incidents. The Healthcare System's liability for unreported and known claims and incidents has been recorded at the total of anticipated future payments, and is discounted at present value factor of 4% for 2007 and 2006. Amounts included as expense for general and professional liability for the years ended December 31, 2007 and 2006 was approximately \$727,000 and \$617,000. The reserve for loss on professional liability claims at December 31, 2007 and activity for the year then ended is as follows:

Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007
<u>\$ 795,000</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>\$ 745,000</u>

NOTE R – CONCENTRATIONS – DICKINSON COUNTY HEALTHCARE SYSTEM

The Healthcare System grants credit without collateral to its patients, most of who are insured under third-party payor agreements. The mix of receivables from third-party payors and patients at December 31, 2007 was as follows:

	2007
Medicare	40%
Blue Cross	15%
Medicaid	6%
Commercial insurance and other	22%
Self pay	17%
	<u>100%</u>

COUNTY OF DICKINSON, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE R – CONCENTRATIONS – DICKINSON COUNTY HEALTHCARE SYSTEM (continued)

The Healthcare System is subject to collective bargaining agreements for approximately 64% of its labor force. These agreements are negotiated on a tri-annual basis. The agreement for the Michigan Nurses Association will expire in May 2008. The agreement for the American Federation of State, County, and Municipal Employees (AFSCME) will expire in December of 2009.

NOTE S – FORWARD PURCHASE CONTRACT/DEFERRED GAIN – DICKINSON COUNTY HEALTHCARE SYSTEM

A forward purchase contract was entered into in 1999 by the Healthcare System relating to certain trustee held funds associated with the Series 1999 bonds. The contract provides a fixed rate of return of 5.775% on the Debt Service Fund and the Reserve Fund investments.

The contract has a maturity date of November 2024, a notional value of \$2,794,000 as of December 31, 2007, and an estimated fair value of \$438,000 at December 31, 2007.

Upon inception of the agreement, the Healthcare System received a premium of \$220,000 from the counter party, which is being amortized over the life of the debt, and is recorded as a deferred gain.

The Healthcare System believes its credit risk is minimal on the transaction.

NOTE T – SINGLE AUDIT

OMB Circular A-133 requires entities that expend more than \$500,000 in federal awards to have a single audit as outlined in the OMB Circular. For the year ended December 31, 2007, Dickinson County did not expend more than \$500,000 in federal awards and therefore a single audit was not required in 2007.

NOTE U – RESTRICTED NET ASSETS

Total net assets which are restricted by enabling legislation amounted to \$3,065,867 for governmental activities.

NOTE V – PRIOR PERIOD ADJUSTMENT

An adjustment of \$556,386 was made on the statement of activities to reflect the removal of post-employment health liabilities which were reflected in the statement of net assets as of December 31, 2006. This liability will be recorded in a future period when the post-employment health liability is calculated in accordance with GASB Statement 45.

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 5,063,878	\$ 5,063,878	\$ 5,371,970	\$ 308,092
License and permits	17,440	17,440	11,224	(6,216)
Federal sources	233,200	233,200	228,586	(4,614)
State sources	632,382	632,382	657,429	25,047
Charges for services	1,196,974	1,196,974	1,164,864	(32,110)
Interest and rentals	115,000	115,000	125,984	10,984
Other	324,704	324,704	332,054	7,350
Total revenues	7,583,578	7,583,578	7,892,111	308,533
EXPENDITURES:				
Legislative:				
Board of commissioners	93,600	84,625	80,635	3,990
Judicial system:				
Circuit court	172,929	182,929	194,892	(11,963)
41st Circuit court	128,333	128,333	127,160	1,173
District court	379,941	374,941	375,001	(60)
Friend of court	9,576	9,576	9,613	(37)
Jury board	9,500	8,234	8,235	(1)
Probate court	354,615	354,615	353,646	969
Cooperative reimbursement	102,105	102,105	102,035	70
General government:				
Elections	27,000	30,974	12,770	18,204
Clerk	183,575	183,575	182,465	1,110
Controller/Administrator	126,194	126,194	122,902	3,292
Equalization	119,679	119,679	123,060	(3,381)
Prosecuting attorney	336,154	336,154	336,761	(607)
Register of deeds	71,739	67,739	68,704	(965)
Treasurer	143,429	143,429	139,652	3,777
Cooperative extension	136,434	132,434	126,814	5,620
Courthouse and grounds	267,565	295,265	298,079	(2,814)
Drain commissioner	9,658	8,158	8,075	83
Photocopy and data processing	98,995	83,995	77,689	6,306
Plat board	200	-	-	-
Microfilm and postage	32,300	31,300	28,915	2,385
Public safety:				
Sheriff	1,236,960	1,236,960	1,256,256	(19,296)
Marine patrol	18,160	22,716	20,280	2,436
Secondary road patrol	77,936	77,936	79,555	(1,619)
ORV	15,724	8,795	8,560	235
Snowmobile patrol	13,894	9,302	6,836	2,466
Jail	276,462	276,462	265,390	11,072
Mine inspector	11,683	10,183	9,852	331
Animal control	54,539	54,539	52,133	2,406
Civil air patrol	500	500	500	-

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Health and welfare:				
Mental health authority	99,630	99,630	99,630	-
T.B. Care	100	-	4,474	(4,474)
Substance abuse	22,748	27,436	27,436	-
Medical examiner	20,500	20,500	12,430	8,070
TRICO workshop	4,500	4,500	-	4,500
Probate social services	12,000	14,326	12,651	1,675
Soldiers burials	11,500	9,000	6,750	2,250
Soldiers and sailors relief	250	250	190	60
CUPPAD & other planning	21,050	22,150	11,799	10,351
UPCAP	-	-	1,000	(1,000)
Health department	50,632	50,632	49,159	1,473
Humane society	30,000	30,000	30,000	-
Project divert	5,250	5,250	5,250	-
Economic development	-	-	5,000	(5,000)
Recreation and culture:				
Menghini historical museum	1,000	1,000	1,000	-
Menominee range historical foundation	2,500	2,500	2,500	-
Area band & other	4,500	4,500	4,500	-
Capital outlay	95,113	95,600	95,617	(17)
Other :				
County properties road maintenance	35,500	25,000	16,239	8,761
Contingency	51,766	-	-	-
Insurance and bonds	227,916	215,078	215,043	35
Employeec benefits	1,898,237	1,917,200	1,902,840	14,360
Tax tribunal orders and charge-backs	2,500	46,795	46,996	(201)
FIA	1,500	1,500	1,500	-
Total expenditures	7,108,071	7,094,494	7,028,469	66,025
Excess revenues (expenditures)	475,507	489,084	863,642	374,558
OTHER FINANCING SOURCES (USES)				
Transfer in	611,455	611,455	617,603	6,148
Transfer out	(1,143,399)	(1,156,976)	(1,231,976)	(75,000)
Total other financing sources (uses)	(531,944)	(545,521)	(614,373)	(68,852)
Net changes in fund balances	(56,437)	(56,437)	249,269	305,706
Fund balances - beginning	1,013,030	1,013,030	1,013,030	-
Fund balances - ending	\$ 956,593	\$ 956,593	\$ 1,262,299	\$ 305,706

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
REVENUE SHARING RESERVE
For the Year Ended December 31, 2007

	Budgeted Amounts Original	Final	Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
REVENUES:				
Interest and rentals	\$ 80,000	\$ 80,000	\$ 100,389	\$ 20,389
EXPENDITURES	-	-	-	-
Excess revenues (expenditures)	80,000	80,000	100,389	20,389
OTHER FINANCING SOURCES (USES):				
Transfer out	(506,455)	(506,455)	(510,391)	(3,936)
Net changes in fund balances	(426,455)	(426,455)	(410,002)	16,453
Fund balances - beginning	3,289,055	3,289,055	3,289,055	-
Fund balances - ending	\$ 2,862,600	\$ 2,862,600	\$ 2,879,053	\$ 16,453

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
RETIREE'S MEDICAL CARE
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Interest and rentals	\$ 55,000	\$ 55,000	\$ 89,774	\$ 34,774
EXPENDITURES:				
Other	-	-	-	-
Excess revenues (expenditures)	55,000	55,000	89,774	34,774
OTHER FINANCING SOURCES (USES):				
Transfer in	25,000	25,000	25,000	-
Net changes in fund balances	80,000	80,000	114,774	34,774
Fund balances - beginning	1,717,212	1,717,212	1,717,212	-
Fund balances - ending	\$ 1,797,212	\$ 1,797,212	\$ 1,831,986	\$ 34,774

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
DISTRICT HEALTH TAX
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
REVENUES:				
Taxes	\$ 155,055	\$ 155,055	\$ 154,986	\$ (69)
EXPENDITURES:				
Health and welfare	155,055	155,055	154,883	172
Excess revenues (expenditures)	-	-	103	103
Fund balances - beginning	904	904	904	-
Fund balances - ending	\$ 904	\$ 904	\$ 1,007	\$ 103

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SENIOR CITIZENS TAX
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 308,805	\$ 308,805	\$ 311,417	\$ 2,612
EXPENDITURES:				
Health and welfare	305,100	305,100	278,746	26,354
Excess revenues (expenditures)	3,705	3,705	32,671	28,966
Fund balances - beginning	8,787	8,787	8,787	-
Fund balances - ending	\$ 12,492	\$ 12,492	\$ 41,458	\$ 28,966

COUNTY OF DICKINSON, MICHIGAN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
COUNTY LIBRARY
For the Year Ended December 31, 2007

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 701,350	\$ 701,600	\$ 700,785	\$ (815)
State sources	27,002	25,602	22,668	(2,934)
Local sources	210,000	180,500	174,011	(6,489)
Charges for services	14,000	14,000	11,711	(2,289)
Interest and rentals	37,500	41,000	40,973	(27)
Other	9,000	17,500	16,519	(981)
Total revenue	998,852	980,202	966,667	(13,535)
EXPENDITURES:				
Recreation and culture	886,852	876,917	861,383	15,534
Capital outlay	115,000	141,250	141,746	(496)
Total expenditures	1,001,852	1,018,167	1,003,129	15,038
Excess revenues (expenditures)	(3,000)	(37,965)	(36,462)	1,503
OTHER FINANCING SOURCES (USES):				
Transfer in	3,000	7,500	1,893	(5,607)
Net changes in fund balances	-	(30,465)	(34,569)	(4,104)
Fund balances - beginning	809,241	809,241	809,241	-
Fund balances - ending	<u>\$ 809,241</u>	<u>\$ 778,776</u>	<u>\$ 774,672</u>	<u>\$ (4,104)</u>

**COUNTY OF DICKINSON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007**

	Special Revenue Funds			
	County Parks	Community Service	Friend of Court	Construction Code
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 73,342	\$ 10,625	\$ 1,909	\$ 142,969
Investments	-	-	-	47,536
Receivables:				
Accounts	-	10,044	-	-
Taxes	-	-	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	-	-	2,365	-
Prepays	296	-	2,488	-
Total assets	<u>\$ 73,638</u>	<u>\$ 20,669</u>	<u>\$ 6,762</u>	<u>\$ 190,505</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 16,902	\$ -	\$ -
Due to other funds	-	-	-	-
Accrued payroll	1,223	5,590	936	4,190
Deferred revenue	-	-	-	-
Total liabilities	<u>1,223</u>	<u>22,492</u>	<u>936</u>	<u>4,190</u>
Fund balances:				
Reserved	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	72,415	(1,823)	5,826	186,315
Total fund balances	<u>72,415</u>	<u>(1,823)</u>	<u>5,826</u>	<u>186,315</u>
Total liabilities and fund balances	<u>\$ 73,638</u>	<u>\$ 20,669</u>	<u>\$ 6,762</u>	<u>\$ 190,505</u>

See accompanying notes to financial statements.

Special Revenue Funds

Airport PFC	Public Improvement	County Fair	Homestead Property Exemption	R.O.D. Automation	Civil Defense	Enhanced 911
\$ 35,885	\$ 32,443	\$ 46,526	\$ -	\$ 61,376	\$ (19,066)	\$ (55,831)
-	-	-	-	-	-	-
-	-	-	-	-	-	10,246
-	-	-	-	-	-	-
-	28,979	-	-	-	-	-
-	-	-	-	-	3,080	27,994
-	-	1,624	-	-	1,583	6,257
<u>\$ 35,885</u>	<u>\$ 61,422</u>	<u>\$ 48,150</u>	<u>\$ -</u>	<u>\$ 61,376</u>	<u>\$ (14,403)</u>	<u>\$ (11,334)</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47
-	60,000	-	-	-	-	-
-	-	-	-	-	752	8,028
-	-	-	-	-	-	-
-	60,000	-	-	-	752	8,075
-	-	-	-	-	-	7,901
-	1,422	-	-	-	-	-
<u>35,885</u>	<u>-</u>	<u>48,150</u>	<u>-</u>	<u>61,376</u>	<u>(15,155)</u>	<u>(27,310)</u>
<u>35,885</u>	<u>1,422</u>	<u>48,150</u>	<u>-</u>	<u>61,376</u>	<u>(15,155)</u>	<u>(19,409)</u>
<u>\$ 35,885</u>	<u>\$ 61,422</u>	<u>\$ 48,150</u>	<u>\$ -</u>	<u>\$ 61,376</u>	<u>\$ (14,403)</u>	<u>\$ (11,334)</u>

**COUNTY OF DICKINSON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007**

	Special Revenue Funds			
	Local Correction Officer Training	Drug Law Enforcement	Drug Law Enforcement - Sheriff	Special Investigative
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 12,962	\$ 2,364	\$ 6,671	\$ 2,553
Investments	-	-	-	-
Receivables:				
Accounts	-	-	-	-
Taxes	-	-	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepays	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 12,962</u>	<u>\$ 2,364</u>	<u>\$ 6,671</u>	<u>\$ 2,553</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Accrued payroll	-	-	-	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Reserved	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	12,962	2,364	6,671	2,553
	<u>12,962</u>	<u>2,364</u>	<u>6,671</u>	<u>2,553</u>
Total fund balances	<u>12,962</u>	<u>2,364</u>	<u>6,671</u>	<u>2,553</u>
Total liabilities and fund balances	<u>\$ 12,962</u>	<u>\$ 2,364</u>	<u>\$ 6,671</u>	<u>\$ 2,553</u>

See accompanying notes to financial statements.

Special Revenue Funds						
Law Library	CDBG Housing	Probation Enhancement	Veterans Tax	County Remonu- mentation	D.A.R.E. Program	Child Care
\$ (10,540)	\$ -	\$ 20,399	\$ 342	\$ (50,835)	\$ 8,077	\$ 382,751
-	-	-	-	-	-	-
11,742	-	15,028	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	75,482	-	-	51,014	-	-
-	-	-	-	-	-	1,659
<u>\$ 1,202</u>	<u>\$ 75,482</u>	<u>\$ 35,427</u>	<u>\$ 342</u>	<u>\$ 179</u>	<u>\$ 8,077</u>	<u>\$ 384,410</u>
\$ -	\$ 75,482	\$ -	\$ -	\$ 179	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	1,232
-	-	15,028	-	-	-	-
-	75,482	15,028	-	179	-	1,232
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,202	-	20,399	342	-	8,077	383,178
1,202	-	20,399	342	-	8,077	383,178
<u>\$ 1,202</u>	<u>\$ 75,482</u>	<u>\$ 35,427</u>	<u>\$ 342</u>	<u>\$ 179</u>	<u>\$ 8,077</u>	<u>\$ 384,410</u>

**COUNTY OF DICKINSON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007**

	Special Revenue			
	Soldiers and Sailors Relief	Veterans Trust	County Airport	Family Counseling
ASSETS				
Cash and equivalents:				
Unrestricted	\$ 1,401	\$ 963	\$ 16,251	\$ 21,719
Investments	-	-	-	-
Receivables:				
Accounts	-	-	95,806	-
Taxes	-	-	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepays	-	-	3,041	-
	<u>-</u>	<u>-</u>	<u>3,041</u>	<u>-</u>
Total assets	<u>\$ 1,401</u>	<u>\$ 963</u>	<u>\$ 115,098</u>	<u>\$ 21,719</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	28,979	-
Accrued payroll	-	-	4,080	-
Deferred revenue	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>33,059</u>	<u>-</u>
Fund balances:				
Reserved	-	-	-	-
Unreserved:				
Designated	-	-	-	-
Undesignated	1,401	963	82,039	21,719
	<u>1,401</u>	<u>963</u>	<u>82,039</u>	<u>21,719</u>
Total fund balances	<u>1,401</u>	<u>963</u>	<u>82,039</u>	<u>21,719</u>
Total liabilities and fund balances	<u>\$ 1,401</u>	<u>\$ 963</u>	<u>\$ 115,098</u>	<u>\$ 21,719</u>

See accompanying notes to financial statements.

Special Revenue			Debt Service		Capital Projects	Permanent Fund
Criminal Justice Training	Alcohol Assessment	Jail Commissary	County Fair Debt	Correction Complex Debt	County Fair Project	Fontana Terminal Trust
\$ 4,604	\$ 32,472	\$ 3,508	\$ 1	\$ 102,734	\$ -	\$ 204,285
-	-	-	-	-	-	500,143
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	60,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 4,604</u>	<u>\$ 32,472</u>	<u>\$ 3,508</u>	<u>\$ 1</u>	<u>\$ 102,734</u>	<u>\$ -</u>	<u>\$ 764,428</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	706,303
-	-	-	-	-	-	-
<u>4,604</u>	<u>32,472</u>	<u>3,508</u>	<u>1</u>	<u>102,734</u>	<u>-</u>	<u>58,125</u>
<u>4,604</u>	<u>32,472</u>	<u>3,508</u>	<u>1</u>	<u>102,734</u>	<u>-</u>	<u>764,428</u>
<u>\$ 4,604</u>	<u>\$ 32,472</u>	<u>\$ 3,508</u>	<u>\$ 1</u>	<u>\$ 102,734</u>	<u>\$ -</u>	<u>\$ 764,428</u>

COUNTY OF DICKINSON, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2007

	<u>Permanent Funds</u>		<u>Total</u>
	<u>Fumee Lake</u>	<u>Library</u>	<u>Nonmajor</u>
	<u>Trust</u>	<u>Trust</u>	<u>Governmental</u>
			<u>Funds</u>
ASSETS			
Cash and equivalents:			
Unrestricted	\$ 214,515	\$ 134,466	\$ 1,441,841
Investments	-	-	547,679
Receivables:			
Accounts	-	-	142,866
Taxes	-	-	-
Due from other funds	-	-	88,979
Due from State of Michigan	-	-	159,935
Prepays	-	-	16,948
	<u>-</u>	<u>-</u>	<u>16,948</u>
Total assets	<u>\$ 214,515</u>	<u>\$ 134,466</u>	<u>\$ 2,398,248</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	92,610
Due to other funds	-	-	88,979
Accrued payroll	-	-	26,031
Deferred revenue	-	-	15,028
	<u>-</u>	<u>-</u>	<u>15,028</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>222,648</u>
Fund balances:			
Reserved	206,854	82,393	1,003,451
Unreserved:			
Designated	-	-	1,422
Undesignated	7,661	52,073	1,170,727
	<u>7,661</u>	<u>52,073</u>	<u>1,170,727</u>
Total fund balances	<u>214,515</u>	<u>134,466</u>	<u>2,175,600</u>
Total liabilities and fund balances	<u>\$ 214,515</u>	<u>\$ 134,466</u>	<u>\$ 2,398,248</u>

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2007

	Special Revenue Funds			
	County Parks	Community Service	Friend of Court	Construction Code
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	269,962
Federal sources	-	-	-	-
State sources	1,490	-	-	-
Local sources	-	-	-	-
Charges for services	117,518	125,262	15,432	-
Interest and rentals	2,277	133,387	-	7,382
Other	18,802	2,992	-	663
Total revenues	140,087	261,641	15,432	278,007
EXPENDITURES:				
Judicial system	-	-	87,638	-
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	245,894
Recreation and culture	230,465	363,464	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	230,465	363,464	87,638	245,894
Excess revenues (expenditures)	(90,378)	(101,823)	(72,206)	32,113
OTHER FINANCING SOURCES (USES):				
Transfer in	110,000	92,637	68,993	-
Transfer out	-	-	-	-
Total other financing sources (uses)	110,000	92,637	68,993	-
Net changes in fund balance	19,622	(9,186)	(3,213)	32,113
Fund balances - beginning	52,793	7,363	9,039	154,202
Fund balances - ending	\$ 72,415	\$ (1,823)	\$ 5,826	\$ 186,315

See accompanying notes to financial statements.

Special Revenue Funds

Airport PFC	Public Improvement	County Fair	Homestead Property Exemption	R.O.D. Automation	Civil Defense	Enhanced 911
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	23,200	-
-	76,910	39,285	-	-	15,155	117,308
-	1,038	-	-	-	-	-
-	-	184,400	-	25,855	-	119,327
1,403	-	18,017	483	2,002	-	-
-	-	19,310	-	-	739	-
1,403	77,948	261,012	483	27,857	39,094	236,635
-	-	-	-	-	-	-
-	-	-	-	6,213	-	-
-	-	-	-	-	63,470	433,495
-	-	-	-	-	-	-
-	-	249,086	-	-	-	-
-	149,705	-	-	-	30,301	20,576
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	149,705	249,086	-	6,213	93,771	454,071
1,403	(71,757)	11,926	483	21,644	(54,677)	(217,436)
-	95,800	16,227	-	-	51,576	185,856
-	-	(21,192)	(946)	-	-	-
-	95,800	(4,965)	(946)	-	51,576	185,856
1,403	24,043	6,961	(463)	21,644	(3,101)	(31,580)
34,482	(22,621)	41,189	463	39,732	(12,054)	12,171
\$ 35,885	\$ 1,422	\$ 48,150	\$ -	\$ 61,376	\$ (15,155)	\$ (19,409)

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2007

	Special Revenue Funds			
	Local Correction Officer Training	Drug Law Enforcement	Drug Law Enforcement - Sheriff	Special Investigative
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	-	-	-	-
Local sources	-	-	-	-
Charges for services	11,460	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	4,800	-
Total revenues	11,460	-	4,800	-
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	-	-
Public safety	6,657	1,098	1,470	335
Health and welfare	-	-	-	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	6,657	1,098	1,470	335
Excess revenues (expenditures)	4,803	(1,098)	3,330	(335)
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	4,803	(1,098)	3,330	(335)
Fund balances - beginning	8,159	3,462	3,341	2,888
Fund balances - ending	\$ 12,962	\$ 2,364	\$ 6,671	\$ 2,553

See accompanying notes to financial statements.

Special Revenue Funds

Law Library	CDBG Housing	Probation Enhancement	Veterans Tax	County Remonu- mentation	D.A.R.E. Program	Child Care
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	167,883	-	-	-	-	-
-	-	-	-	85,082	-	123,354
-	-	-	-	-	13,344	37,377
-	-	2,595	-	-	-	14,248
-	-	-	431	-	-	-
18,298	-	2,201	-	-	1,175	-
18,298	167,883	4,796	431	85,082	14,519	174,979
35,324	-	3,914	-	-	-	301,645
-	-	-	-	84,763	-	-
-	-	-	-	-	20,175	-
-	167,883	-	74,627	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
35,324	167,883	3,914	74,627	84,763	20,175	301,645
(17,026)	-	882	(74,196)	319	(5,656)	(126,666)
21,133	-	-	74,500	-	-	300,000
-	-	-	-	-	-	-
21,133	-	-	74,500	-	-	300,000
4,107	-	882	304	319	(5,656)	173,334
(2,905)	-	19,517	38	(319)	13,733	209,844
\$ 1,202	\$ -	\$ 20,399	\$ 342	\$ -	\$ 8,077	\$ 383,178

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2007

	Special Revenue Funds			
	Soldiers and Sailors Relief	Veterans Trust	County Airport	Family Counseling
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	-	2,988	48,843	-
Local sources	-	-	-	-
Charges for services	-	-	39,904	2,985
Interest and rentals	-	-	176,307	-
Other	-	-	36,963	-
Total revenues	-	2,988	302,017	2,985
EXPENDITURES:				
Judicial system	-	-	-	-
General government	-	-	363,786	-
Public safety	-	-	-	-
Health and welfare	-	2,379	-	50
Recreation and culture	-	-	-	-
Capital outlay	-	-	10,235	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	-	2,379	374,021	50
Excess revenues (expenditures)	-	609	(72,004)	2,935
OTHER FINANCING SOURCES (USES):				
Transfer in	-	-	120,500	-
Transfer out	-	-	(38,838)	-
Total other financing sources (uses)	-	-	81,662	-
Net changes in fund balance	-	609	9,658	2,935
Fund balances - beginning	1,401	354	72,381	18,784
Fund balances - ending	\$ 1,401	\$ 963	\$ 82,039	\$ 21,719

See accompanying notes to financial statements.

Special Revenue Funds			Debt Service		Capital Projects	Permanent Fund
Criminal Justice Training	Alcohol Assessment	Jail Commissary	County Fair Debt	Correction Complex Debt	County Fair Project	Fontana Terminal Trust
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,593	2,400	-	-	-	-	-
-	-	-	-	-	-	-
-	9,372	47,438	-	-	-	-
-	-	-	-	2,025	187	31,156
-	-	-	-	2	-	-
4,593	11,772	47,438	-	2,027	187	31,156
-	-	-	-	-	-	-
-	-	-	-	1,962	-	13,103
5,522	-	48,710	-	-	-	-
-	14,578	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	5,938	-
-	-	-	16,000	105,000	-	-
-	-	-	5,192	3,833	-	-
-	-	-	-	-	-	-
5,522	14,578	48,710	21,192	110,795	5,938	13,103
(929)	(2,806)	(1,272)	(21,192)	(108,768)	(5,751)	18,053
-	8,592	-	21,192	100,000	-	-
-	-	-	-	-	-	-
-	8,592	-	21,192	100,000	-	-
(929)	5,786	(1,272)	-	(8,768)	(5,751)	18,053
5,533	26,686	4,780	1	111,502	5,751	746,375
\$ 4,604	\$ 32,472	\$ 3,508	\$ 1	\$ 102,734	\$ -	\$ 764,428

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the year ended December 31, 2007

	Permanent Funds		Total Nonmajor Governmental Funds
	Fumee Lake Trust	Library Trust	
REVENUES:			
Taxes	\$ -	\$ -	\$ -
License and permits	-	-	269,962
Federal sources	-	-	191,083
State sources	-	-	517,408
Local sources	-	-	51,759
Charges for services	-	-	715,796
Interest and rentals	10,658	6,299	392,014
Other	196	6,558	112,699
Total revenues	10,854	12,857	2,250,721
EXPENDITURES:			
Judicial system	-	-	428,521
General government	-	-	469,827
Public safety	-	-	580,932
Health and welfare	-	-	505,411
Recreation and culture	10,511	458	853,984
Capital outlay	-	-	216,755
Debt service:			
Principal	-	-	121,000
Interest	-	-	9,025
Other	-	-	-
Total expenditures	10,511	458	3,185,455
Excess revenues (expenditures)	343	12,399	(934,734)
OTHER FINANCING SOURCES (USES):			
Transfer in	-	-	1,267,006
Transfer out	-	(1,893)	(62,869)
Total other financing sources (uses)	-	(1,893)	1,204,137
Net changes in fund balance	343	10,506	269,403
Fund balances - beginning	214,172	123,960	1,906,197
Fund balances - ending	\$ 214,515	\$ 134,466	\$ 2,175,600

See accompanying notes to financial statements.

COUNTY OF DICKINSON, MICHIGAN
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
December 31, 2007

	General Trust and Agency	Library Penal Fines	District Court Trust	Friend of Court Agency
ASSETS				
Cash and cash equivalents:				
Unrestricted	\$ 531,653	\$ 19,917	\$ 66,962	\$ 700
LIABILITIES				
Due to other funds	\$ 62,260	\$ -	\$ -	\$ -
Due to other units governmental units	92,308	-	-	-
Undistributed taxes	321,224	-	-	-
Other liabilities	55,861	19,917	66,962	700
Total liabilities	\$ 531,653	\$ 19,917	\$ 66,962	\$ 700

See accompanying notes to financial statements.

<u>Sheriff Inmate Trust</u>	<u>Totals</u>
<u>\$ 5,383</u>	<u>\$ 624,615</u>
\$ -	\$ 62,260
-	92,308
-	321,224
<u>5,383</u>	<u>148,823</u>
<u>\$ 5,383</u>	<u>\$ 624,615</u>



ANDERSON, TACKMAN & COMPANY, PLC

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Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Commissioners
County of Dickinson
Dickinson, MI 49801

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Dickinson, Michigan as of and for the year ended December 31, 2007, which collectively comprise the County of Dickinson, Michigan's basic financial statements and have issued our report thereon dated June 30, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Dickinson, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Dickinson, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Dickinson, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of Dickinson, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of Dickinson, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the County of Dickinson, Michigan's internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

1. Deficiency – There is a lack of segregation of duties at the County Library, one individual maintains the general ledger, performs bank deposits, bank reconciliations and is a signatory on the bank accounts.

Management Response – The Library staff will analyze procedures and staffing to determine if additional segregation of duties is possible and cost effective. Recommendations will then be presented to the Library Board for adopting and implementation.

2. Deficiency – Material audit adjustments were required to properly accrue revenues and expenditures and to properly classify activity.

Management Response – In future years, we will make an effort to properly accrue all revenues and expenditures and to properly classify activity.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of Dickinson, Michigan's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider all of the significant deficiencies listed above to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Dickinson, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described below:

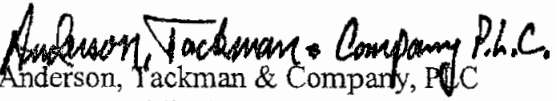
1. Condition – Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue funds, as well as amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. The County had several funds where actual expenditures exceeded those provided for in the appropriated budget.

Management Response – Budgets are amended during the year to more accurately reflect revenues and expenditures. A greater effort will be made to refine year-end revenue and expenditure projections so that expenditures do not exceed authorized spending at year end.

We also noted certain other matters that we reported to management of the County of Dickinson, Michigan in a separate letter dated June 30, 2008.

The County of Dickinson, Michigan's response to the findings identified in our audit is described above. We did not audit the County of Dickinson, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the County Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Anderson, Tackman & Company, P.C.
Certified Public Accountants

June 30, 2008

COUNTY OF DICKINSON, MICHIGAN

REPORT TO MANAGEMENT

Year Ended December 31, 2007



ANDERSON, TACKMAN & COMPANY, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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Kevin C. Pascoe, CPA
Laura L. Schwalbach, CPA

June 30, 2008

To the County Board of Commissioners
Dickinson County

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Dickinson County for the year ended December 31, 2007, and have issued our report thereon dated June 30, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 14, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of Dickinson County. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed test of Dickinson County's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 14, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Dickinson County are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the useful lives of capital assets for the purpose of calculating depreciation expense is based on management's knowledge of similar assets and the intended use of those assets. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: to properly accrue property taxes receivable and deferred taxes and to record prepaid expense.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 30, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

During our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated June 30, 2008, on the financial statements of Dickinson County.

This information is intended solely for the use of County Board of Commissioners and management of Dickinson County and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Anderson, Tackman & Company P.C.

Anderson, Tackman & Company, PLC
Certified Public Accountants

COUNTY OF DICKINSON, MICHIGAN

COMMENTS AND RECOMMENDATIONS

December 31, 2007

Sheriff Inmate Trust

Comment:

The inmate trust bank account is not being reconciled with the inmate payable accounts.

Recommendation:

Each month a reconciliation should be performed between the bank statement balance and the amount due to the inmates.

Management Response:

There is a great deal of fluctuation in the inmate trust account and the bank statements have only been partially reconciled. Responsibility for the reconciliation of this account has now been turned over to the full time accounts payable/payroll clerk who will work with the jail administrator to reconcile this account monthly. The new jail administrator and the accounts payable clerk are also working with the software provider to refine this process.

Tracking of Probation Surcharge and Victim Reimbursement Accounts Receivable

Comment:

During 2007, the amounts due to the Probation Enhancement Fund for the probation surcharge and victim's reimbursement were no longer being tracked.

Recommendation:

The County should continue to track amounts due for probation surcharge and victim's reimbursement in the same manner they prior to July 1, 2007 when there were staffing changes in the probation office.

Management Response:

The Clerk's office is working with the Circuit Court Probation staff to set up a process to resume tracking of this surcharge.

COUNTY OF DICKINSON, MICHIGAN
COMMENTS AND RECOMMENDATIONS

December 31, 2007

Budget Non-Compliance

Comment:

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget. Expenditures were in excess of appropriations in the following funds:

	<u>Total Appropriation</u>	<u>Expenditures</u>	<u>Budget Variance</u>
General Fund	\$ 8,251,470	\$ 8,260,445	\$ (8,975)
Revenue Sharing Reserve	506,455	510,391	(3,936)
Friend of Court	84,493	87,638	(3,145)
Civil Defense	64,466	93,771	(29,305)
Enhanced 911	403,779	454,071	(50,292)

Deficit fund balances existed in the unreserved fund balance of the Community Service, Civil Defense, Enhanced 911 Funds of \$1,823, \$15,155, and \$19,409, respectively.

Recommendation:

We recommend that budgets be amended as necessary to prevent expenditures from exceeding appropriations. The County is also required to file a deficit elimination plan with the Michigan Department of Treasury.

Management Response:

Budgets are amended during the year to more accurately reflect revenues and expenditures. A greater effort will be made to refine year-end revenue and expenditure projections so that expenditures do not exceed authorized spending at year end.

COUNTY OF DICKINSON, MICHIGAN
COMMENTS AND RECOMMENDATIONS

December 31, 2007

Airport Rent Receivable

Comment:

We noted accounts receivable for rent due to the County Airport Fund which date back to October 2004.

Recommendation:

We recommend the County determine if these amounts are collectible and make the appropriate journal entry if any of the amount due is uncollectible.

Management Response:

The Controller and the Airport Manager are working together to determine the amount that is uncollectible.

County Library – Adoption of Policies

Comment:

We noted the County Library does not have an ACH policy, credit card policy or a capitalization policy.

Recommendation:

The Michigan Department of Treasury requires that each local unit of government adopt an ACH Policy and a credit card policy when they when those types of transactions are entered into by the local unit. We recommend the County Library adopt the required ACH and credit card policies as well as a capitalization policy for the purpose of recording capital assets.

Management Response:

These policies will be adopted in 2008.

COUNTY OF DICKINSON, MICHIGAN

COMMENTS AND RECOMMENDATIONS

December 31, 2007

County Library – Segregation of Duties

Comment:

Due to limited staffing at the Library, we noted a lack of segregation of duties for certain accounting functions.

Recommendation:

We recommend the County Library review their procedures and implement additional internal controls to mitigate the lack of segregation of duties to the extent that it is cost beneficial to the Library operations.

Management Response:

The Library staff will analyze procedures and staffing to determine if additional segregation of duties is possible and cost effective. Recommendations will then be presented to the Library Board for adopting and implementation.

County Library – Single Signatures of Checks

Comment:

We noted there is only one signature required on disbursement and payroll checks.

Recommendation:

In order to strengthen the internal controls, we recommend the County Library consider requiring two signatures on all checks by members of management and/or the Library Board.

Management Response:

Such a recommendation will be presented to the Library Board for consideration.

COUNTY OF DICKINSON, MICHIGAN
COMMENTS AND RECOMMENDATIONS

December 31, 2007

County Library – Approval of Timesheets

Comment:

We noted there is no supervisor approval indicated on the timesheets.

Recommendation:

We recommend that timesheets be approved by management.

Management Response:

Timesheets will be reviewed and signed by management prior to the processing of payroll.

COUNTY OF DICKINSON, MICHIGAN

COMMENTS AND RECOMMENDATIONS

December 31, 2007

GASB Statement 45 – Accounting and Financial Reporting By Employers for Post-Employment Benefits Other Than Pensions

Comment:

In June 2004, the GASB issued Statement 45, which establishes standards for the measurement, recognition, and display of other post-employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. OPEB includes post-employment healthcare as well as other post-employment benefits such as life insurance.

The Statement is being implemented in three phases, with the County of Dickinson being required to implement the Statement for the year ended December 31, 2009. GASB Statement 45 is going to impact the future accounting of post-employment health insurance costs as it relates to the amount the County will be required to pay for these benefits. Beginning in 2009, the County will be required by governmental generally accepted accounting principles to pay the current cost of providing those benefits as well as an amount needed to fund a portion of the unfunded liability relating to the post-employment health benefit. The unfunded liability will be required to be actuarially determined and will be amortized over a period likely not to exceed thirty years. The methods used as part of Statement 45 are similar to those currently used to determine required contribution rates for defined benefit pension plans.

The County Board of Commissioners as well as County Management should begin to consider the impact of GASB Statement 45 prior to the required implementation date.



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OFFICES IN MICHIGAN AND WISCONSIN

To the County Board of Commissioners and Management
of Dickinson County

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Dickinson County as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Dickinson County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Governmental Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Governmental Unit's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

- There is a lack of segregation of duties at the County Library, one individual maintains the general ledger, performs bank deposits, bank reconciliations and is a signatory on the bank accounts.
- Material audit adjustments were required to properly accrue revenues and expenditures and to properly classify activity.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that both of the significant deficiencies noted above constitute material weaknesses.

This communication is intended solely for the information and use of management, the County Board of Commissioners, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Anderson, Tackman & Company P.C.
Anderson, Tackman & Company, PLC
Certified Public Accountants

June 30, 2008